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Public Utilities

FORTNIGHTLY

Volume 54 No. 5 September 2, 1954

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FEATURE SECTIONS

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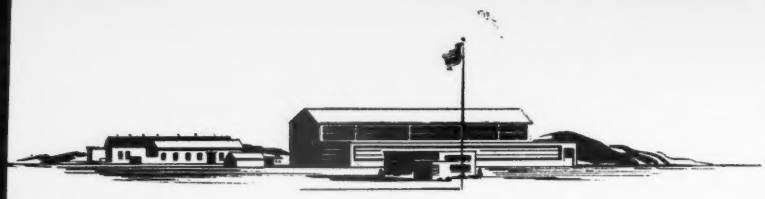

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PRESSURE FIRING	• Less stack loss . . . no air infiltration.	• Fewer controls to maintain. • No ID fan maintenance.	• Simplifies fan control.	• Less total fan power due to lower volume, weight, and draft loss handled by FD fan.

Pages with the Editors

WE regret that an eleventh-hour delay by the Senate in voting on the controversial atomic energy bill prevented our publication, in this issue, of an analytical article on that important piece of legislation. We had hoped that final congressional action would be taken in time to permit the preparation and publication of such an article, as promised in our last issue. However, the delay is only temporary and a forthcoming issue will contain the article in question.

As a replacement article written on a somewhat allied topic, we were fortunate in being able to procure a practical analysis of the whole political philosophy back of the controversy of public *versus* private operations in the electric utility field. This opening article comes from ALBERT LEPAWSKY, professor of political science, University of California.

DR. LEPAWSKY earned his bachelor's degree ('27) and his doctor's degree ('31) at the University of Chicago, and pursued his postgraduate studies at the London School of Economics and the University of Berlin. He served in the U. S. Army Air Forces in World War II, and spent several postwar years teaching at southern universities and working in Latin America as a technical assistance expert. PROFESSOR LEPAWSKY has been a consultant to the United States Department of Commerce and to other federal, state, and municipal authorities. He is now a consultant to the technical assistance administration of the United States.

DR. LEPAWSKY's contribution is particularly timely, in view of the effort being made in some political quarters to build up the so-called "power issue" as an important, if not crucial, test in the forthcoming congressional campaigns. It can hardly be disputed at this late date that the so-called power issue has been a highly publicized factor in political campaigns.

HENRY F. UNGER

IT is a fair question, however, whether the so-called appeal of the public power issue has not gone along as part of a political package. Plentiful and reliable power supply at fair prices is certainly more important today than it ever was. But whether citizens of the country are gradually beginning to perceive the wisdom of the late Thomas Edison's cynical observations about public ownership, or whether that issue ever really was crucially decisive, is still an open question. It surprised a good many observers when the critics of unlimited public power expansion were able to muster a majority in vote after vote on the Senate floor on the atomic energy bill amendments. This was certainly not true a few years ago, when it seemed that almost anything connected with public power expansion automatically commanded overwhelming majorities.

WHAT is commonly overlooked in this struggle over atomic power legislation is the almost sure fact that one day—ten to twenty years hence — atomic energy will be the basis for more and more, and perhaps eventually most, of our electric power supply. More than that! By industrial application of its heating by-product, it may well account for much of the nation's heating and air conditioning, as well as

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power and light supply. This trend, as it occurs, will be of terrific importance to existing fuel industries: oil and natural gas, coal, and the present heavy investment in hydroelectric facilities.

BUT equally important is the fact that private competition with government is inevitably subject to political pressures which have historically made such struggles unequal. The combination of political and economic power, capable of perpetuating itself by domination over all forms of labor, business, social, cultural, educational, and propaganda activity would eventually tolerate no opposition, even if the latter could survive. No business can ever compete with its own government and survive very long. Government just won't stand for it.

SUCH drastic changes as atomic energy will make are, in themselves, no threat to our enterprise system, unless atomic energy falls into the absolute control of a government monopoly. Comparative revolutionary changes have happened in the past. But under the competitive enterprise system the transition was orderly. The coming of the automobile, for example, made the livery business obsolete. Some people lost money. But more people made a lot of money. *And it did not cost the taxpayer anything!* And so it probably would be in the future, if private enterprise is allowed to function freely in the field of atomic energy—according to those who want to end the government monopoly in this field.

PEOPLE who now have their money in oil, coal, gas, and other lines affected might well be able to switch over either their investment or change the nature of their business operations to fit into the new picture. That is the sort of thing which has always taken place and is constantly taking place under the capitalistic system. And it must be said that the investor has a free choice to put his money where he pleases.

* * * *

IN the recent general tax revision bill passed by Congress, there was some recognition of the need of tax relief for the small shareholder. It was the first time in many years that Congress has specifically paid attention to the rights of investors from a tax-paying standpoint. This suggests that the small shareholder might well be a political power in his own right. In his article beginning on page 251, ERNEST FREDERICK LLOYD, of Ann Arbor, Michigan, a former president of the Michigan Gas Association, now retired from active business, has given us some new and interesting slants on the cultivation of the small shareholder as an instrument for assisting management in its relationship with government on other fronts besides the important question of taxation.

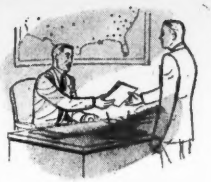
MR. LLOYD came into the utility business through the avenue of manufacturing. For a number of years he was engaged in designing and manufacturing special equipment for artificial gas making. In those days this naturally led to his owning and operating some gas companies and his eventual activity in the Michigan Gas Association.

* * * *

EXPERT professional tree trimming by independent firms specializing in the business has been an old story in all lines of public utility operations for some years. But there are public relations factors which are involved in the actual practice of tree trimming for specialized purposes of electric power and telephone utility operations. Who are the men who actually do this job and how are they selected, and what is their training? Utility management people might well like to take a peek behind the scenes with HENRY F. UNGER, professional writer of Phoenix, Arizona, who has gathered a readable account of a specialized business which has been developing its own rules and disciplines. His article begins on page 259.

THE next number of this magazine will be out September 16th.

The Editors



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EFFICIENCY VERSUS EARNINGS IN THE ELECTRIC INDUSTRY

One of the oldest and most challenging problems in the field of public utility regulation is that of recognizing efficiency of management in the fulfillment of its public service obligation. For the regulatory commissions, the problem has been one of policy—the determination of an incentive which would encourage efficient performance and discourage mediocre or poor performance. For management, however, there is the even more puzzling problem of reconciling revenue requirements with the standards of efficient operation. The statistical relationship between efficiency and earnings is thus one of fundamental interest to both management and regulators. C. P. Guercken, assistant to vice president, Ebasco Services Incorporated, has done a masterful job of demonstrating this relationship. It is accompanied with a complete and graphic set of illustrative charts.

WHAT DOES THE NEW ATOMIC ENERGY LAW MEAN?

Because congressional controversy delayed final passage of the atomic energy bill, an analytical article on this important legislation could not be carried in this issue of PUBLIC UTILITIES FORTNIGHTLY as promised in advance. However, in our next issue we shall be able to publish this article. The new Atomic Energy Act contains provisions which will have a far-reaching effect on the future relationship of atomic energy development and the electric power industry. Written by a competent and authoritative observer, the forthcoming article will examine especially those provisions under which the Atomic Energy Commission might contract with business-managed electric utility companies for power supply. It will also cover important facts dealing with future licensing of power plants by publicly and privately owned utility agencies, using the nuclear reactor fuel. These and other essential provisions of the new law, as well as the political philosophy back of it, will be covered in this article.

THE UTILITY CHALLENGE TO SABOTEURS

The recently adjourned session of the 83rd Congress passed an important law, known as the Defense Facilities Protection Act of 1954. The purpose of this measure is to authorize the federal government to guard strategic defense facilities against acts of sabotage, espionage, or other forms or acts of subversion. Among other provisions was some language suggested by Attorney General Brownell to insure the safety and uninterrupted operation of public utilities in war or in any national emergency. Even the concept of what constitutes a "utility" was expanded. T. N. Sandifer, Washington congressional correspondent, has written an analysis of the provisions of this legislation as they affect operating utilities.

★

Also . . . ***Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.***

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Remarkable Remarks

"There never was in the world two opinions alike."
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WILLIAM RANDOLPH HEARST
Late publisher.

"Heavy taxation is the measure of ignorance, inefficiency, and infidelity in a nation's government."

GROVER CLEVELAND
(Statement made in 1887.)

"The government is not an almoner of gifts among the people, but an instrumentality by which the people's affairs should be conducted upon business principles, regulated by the public needs."

HERBERT HOOVER
Former President of the United States.

"All of the task forces are now in the midst of their inquiries and no horrid examples are ready for publication and no final recommendations have as yet been put on paper. However, we are learning a lot."

JOSEPH D. HENDERSON
National managing director, American Association of Small Business, Inc.

"When the many billions of dollars in government-operated businesses are liquidated then the national debt can be reduced in proportion. When the government gets out of business in competition with free enterprise and removes the drag on initiative then business will boom and a recession will not be forthcoming."

ARTHUR H. MOTLEY
President, Parade Publication, Inc.

"Because we are committed to a competitive economy, we have maintained, for industry, the freedom to produce new and improved products as supplements or replacements for older goods or services. Industry long ago learned that if it was to remain free, it must compete, and the strength and productivity of our factories and our fields have resulted from the exercise of this freedom."

STUART F. SILLOWAY
Vice president for finance, Mutual Life Insurance Company of New York.

"It is evident that the prime need of the entire gas industry is not only for continued but increased exploration and developmental activity. Anything that puts a restraint on such activity will not only adversely affect the entire gas industry but will, within a short period, affect the available supply of gas to consumers and will, in my opinion, eventually substantially increase the amount which consumers will pay."

M. S. RUKEYSER
Columnist, New York Journal-American.

"If, in one way or another, stock ownership can be endowed with a better sense of proprietorship, it would be helpful to the survival of our free-choice economic society. More should be made of the co-operative nature of the modern corporation, which pools the savings of many thrifty persons in order to buy better labor-aiding tools to help employees produce more and hence earn more, while providing customers with more and better goods at less cost."

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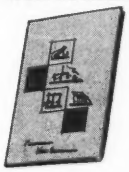

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52 YEARS

REMARKABLE REMARKS—(*Continued*)

OLAUS MURIE
President, Wilderness Society.

"We are living in the twilight era of hydroelectric power. . . . Unless we are careful, we'll find ourselves owning unfinished power dams when atomic electricity takes over."

EDITORIAL STATEMENT
The Wall Street Journal.

". . . there is no way to halt knowledge so long as men seek it and there is no need to meet knowledge with hysteria. When men cease to seek knowledge they cease to be men and so come by a worse route to the end of the civilization they struggle to preserve."

EDWIN M. CLARK
President, Southwestern Bell Telephone Company.

"A businessman has a personal responsibility to the community in which he makes his living. The bigger the business and the more the employees, the greater the obligation. It is my considered judgment that every business and professional leader owes his community at least 10 per cent of his time."

EDWARD T. T. WILLIAMS
President, The Lambert Company.

"We want fewer executive exiles. We want fewer tenants of titles. We want more men in top management who are prepared to share their knowledge, give of their confidence and strength to the men around them, lead along a broader front, influence more people directly, *take an active part in community and national policy making.*"

ROBERT C. SWAIN
Vice president, American Cyanamid Company.

"It is becoming increasingly evident that the physical sciences have progressed far more rapidly than their political, economic, and social sisters. In fact, it can be questioned whether the average level of moral integrity and social responsibility has changed appreciably in modern times—particularly for the better. We have measured success by what we have, rather than by what we are."

RALPH A. TUDOR
Under Secretary of the Interior.

"For the past several years approximately three billion dollars of risk capital a year have gone into the electric generating transmission and distribution facilities of the country. It is fortunate that this has not been a part of our increasing federal debt. It is expected that during the next two years, the investments will be even greater and thereafter we can only estimate but there is little doubt that demands for new facilities will be heavy indeed. The job is so big that investor capital must be encouraged and we propose to do just that."

WALTER H. SAMMIS
President, Ohio Edison Company.

"Starting out with a job of lighting a few lamps a few hours in the evening before the townspeople went to bed, then adding here and there a motor to take the arduous tasks from the arms and backs of workmen, then extending service for a few hours on Tuesday for ironing, then making service available twenty-four hours a day, every day in the week, to the cities and larger towns of the United States, and finally continuing to extend lines and improve the quality of service, until today electricity is available to about 99 per cent of the occupied establishments of the country—that's one record of achievement of our industry."

Q

A

"Carrier"—the modern way to make one telephone line do the work of many—has firmly and frequently answered "Yes!" to the question: "Will it save money?" And Lenkurt Carrier provides convincing answers to many other questions (see opposite page) of interest to you and your communications experts.

Would you benefit from the use of the new Lenkurt Type 45A miniaturized carrier system?

You probably would! Many communications officials have found it to be the most economical way to multiply their communications circuits. It will certainly be worth your while to ask the following questions—and we are glad to answer them!

Is the Lenkurt Type 45A a "long haul" system?

Definitely yes. Type 45A has transmission and regulation characteristics that make it suitable even for transcontinental installations.

Is it also a really economical "short haul" system?

Certainly! Type 45A "proves in" at less than 15 miles in competition with open wire, crossarms, and poles. Usually it will "prove in" in competition with 19-gauge voice-loaded cable for distances as short as 10 miles.

Can it be placed on the same pair with low-frequency systems?

Yes. It operates above other systems using "standard" frequency assignments, such as the Lenkurt 32E or 33A. This means that one pair can be used for as many as 16 or 17 conversations and dialing paths simultaneously.

Does it provide dependable circuit equivalents?

Field tests indicate that even under heavy sleet conditions the level of transmission for each channel remains constant within plus or minus 0.5 db, when the system is engineered within recommended limitations.

What transposition problems will it create?

Because of the "triple regulation" technique employed (flat loss, slope loss, and channel mop-up), the first system installed on a line can usually be placed on any copper or Copperweld pair, utilizing almost any existing transposition patterns. Multiple system installations will require crosstalk tests, but, in many situations, 30 KC transpositions will be adequate for two or three 12-channel systems. If Compandors are used on the carrier channels, more systems may be possible on 30 KC transposed leads.

Can you "start small" and expand?

Yes. Because of the 45A's unitized design, you can start out with only four channels (or less) and expand later to the full 12-channel capacity—a few channels (preferably four) at a time.

What operating adjustments will be necessary?

Few, if any! After the initial line-up, the equipment adjusts *itself* to the length of line, changes in temperature, changes in attenuation due to rain, snow, or sleet. It requires no synchronization of channels, and, given the proper voltage-regulating transformers, is even immune to wide variations in line voltage.

What extra equipment is necessary for dialing?

None. The built-in dialing channels, which are remarkably free of distortion, can be connected directly to any trunk circuit equipped for "E & M" signaling.

What are its line-length limitations?

A pair of terminals provide enough gain to span line sections having attenuation of about 70 db, under worst weather conditions. Economical 12-channel repeaters are available for the longer systems which exceed these limits (acceptable signal-to-noise ratio should determine actual repeater spacing).

Will line troubles or power failures cause "locking up" of central office dial trunks?

Never, if the 45A is equipped with an optional alarm system with "disconnect", "make busy", and "loop test" features, which can be controlled (from a maintenance standpoint) from either end of the system. This is especially important with a remotely-located unattended office.

What are the power requirements?

The 45A system is designed to operate from a 24- or 48-volt battery and 130-volt positive plate supply, or from 115/230-volt, 50/60 cycle AC mains by use of an auxiliary power pack.

What test equipment is needed?

All tests can be made with a simple, universal terminating test panel and appropriate cords, using only conventional test oscillators and VTVM.

There is no other H-F carrier system on the market that gives as much value for your money as the Lenkurt Type 45A!

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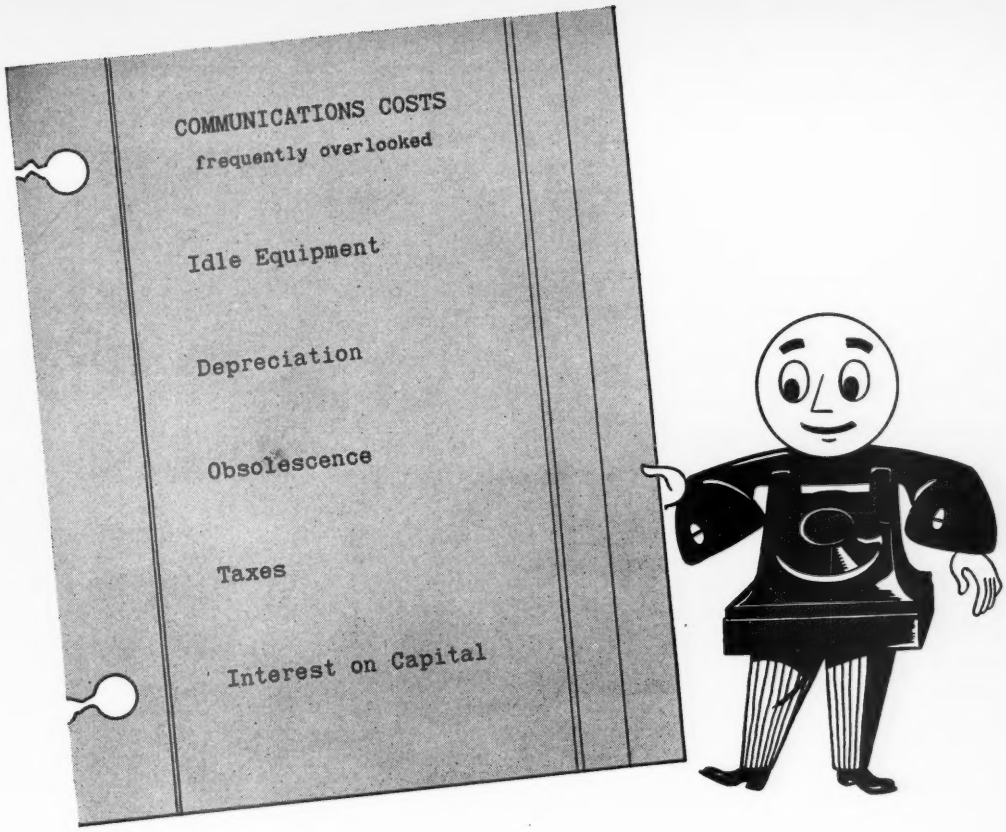

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Bell System gives just the service you need—at low cost. It's tailored to your operations today, and flexible to meet possible change tomorrow. Your Bell System communications are efficient and dependable, with new equipment and techniques constantly being developed to improve your service.

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METERING CHANNELS

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UTILITIES *A·l·m·a·n·a·c·k*

SEPTEMBER

Thursday—2 *Arkansas Telephone Association will hold annual convention, Hot Springs, Ark. Sept. 20, 21.* ***Advance notice.***	**Friday—3** *American Water Works Association, Kentucky-Tennessee Section, will hold annual meeting, Nashville, Tenn. Sept. 20-22.* ***Advance notice.***	**Saturday—4** *Missouri Valley Electric Association will hold accounting conference, St. Louis, Mo. Sept. 23, 24.* ***Advance notice.***	**Sunday—5** *International Gas Union Council will hold meeting, Dusseldorf, Germany. Sept. 27, 28.* ***Advance notice.***
Monday—6 *American Transit Association will hold annual meeting, Pittsburgh, Pa. Sept. 27-30.* ***Advance notice.***	**Tuesday—7** *Pacific Coast Gas Association begins meeting, Vancouver, British Columbia, Canada.*	**Wednesday—8** *American Society of Mechanical Engineers begins fall meeting, Milwaukee, Wis.*	**Thursday—9** *Michigan Independent Telephone Association begins annual convention, Grand Rapids, Mich.*
Friday—10 *New Jersey Gas Association begins annual meeting, Spring Lake, N. J.*	**Saturday—11** *Texas Mid-Continent Oil and Gas Association will hold meeting, Dallas, Tex. Sept. 28, 29.* ***Advance notice.***	**Sunday—12** *Rocky Mountain Electrical League begins annual fall convention, Estes Park, Colo.*	**Monday—13** *Independent Natural Gas Association of America begins annual meeting, New Orleans, La.*
Tuesday—14 *National Association of Motor Bus Operators begins annual convention, Chicago, Ill.*	**Wednesday—15** *American Water Works Association, Michigan Section, begins annual meeting, Muskegon, Mich.*	**Thursday—16** *Public Utilities Association of the Virginias begins annual meeting, White Sulphur Springs, W. Va.*	**Friday—17** *Maryland Utilities Association begins fall conference, Virginia Beach, Va.*

Courtesy, U. S. Bureau of Reclamation

Night Scene at Grand Coulee

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Public Power and Power Technology

Analysis of the changing political philosophy back of the public power movement in the United States.

BY ALBERT LEPAWSKY*

POWER policies and power plans, whether made by our investor-owned private utilities or our governmentally controlled public enterprises, could profit considerably at the present time from a longer-range perspective toward the well-worn issue of public *versus* private power. The pendulum of power policy in the United States has swung before between the extremes of unrestricted private development and unrestrained public control. Yet there are underlying trends of more lasting importance to those who believe that sound policy can emerge only from a realistic appraisal of the facts. It is of little service either to the national public interest as a whole or to any of our special interest groups, private or public, to confuse periodic fluctuations of power policy during one congressional session or one presidential term with longer-range developments and more fundamental trends extending over a generation or half a century.

In the electric power industry, the underlying factors have been mainly technological on the one hand and political on the other. The decisive trends in the in-

*Professor of political science, University of California. For additional personal note, see "Pages with the Editors."

dustry have probably been determined by the technological factor, with the related economic and managerial elements weaving in and out of the picture. But the political factor, including our unique experience with public management in the power industry, has also played a fundamental rôle.

IN terms of technology, our historic emphasis upon the objective tests of efficient performance and scientific management has helped us to curtail political irrationalities—and also, when they have arisen, business irrelevancies—in our national power network. Yet from the start, our electric power technology has been subjected to the competing impacts of both public and private management. This will become obvious if we will but back off a bit from the current controversies and undertake a more detached overview of the long-range technological scene.

From the very beginning of the electric light industry—indeed even before the industry got started—public operation was present. Public management in the 1870's took the form of municipally owned arc street-light systems. This was the case in cities like Detroit, Chicago, and Pittsburgh until—and in some cases long after—the appearance of the incandescent lamp. Thereupon, municipal street lighting began to recede in favor of private electrical development for domestic and commercial, as well as for municipal, consumption.

IN 1880, when Edison applied for his first American patent for an electrical distribution system based on his "electric lamp consisting of an incandescing material hermetically sealed in glass," the prevailing techniques of generating and transmitting power were such that the area which could then be served by one central generating station was only about one square mile. Edison raised the private capital necessary for the electrification of such small districts within New York city; and in other cities similar and sometimes competing neighborhood projects were established by private companies.

But in many cities, municipally owned electrical utilities were created for residents of entire cities whose municipal boundaries approximated the square mile that could be technologically served by the prevailing central station of that day. For technological reasons, therefore, and also because we then happened to be entering the heyday of a municipal reform movement which included the battle cry of public ownership, municipally owned power projects increased from only one in 1881 to more than 3,000 in 1923.

HOWEVER, in spite of their increase the municipal utilities found themselves limited to the smaller cities, and they began to generate a diminishing proportion of the nation's total electricity. The proportion of municipally generated power receded from about 10 per cent of the national total in 1902 to 5 per cent in 1922. And the reason for this decline was again largely technological. The enormously efficient coal-burning, central station generator, together with the longer-distance transmission line, had come into vogue, and these made the economical area for the power business much larger than the area of the ordinary municipality.

Moreover, those municipal systems which were prepared to participate in the changing power technology of the day were often precluded from doing so by

legal debt limits or by jurisdictional limitations which restricted them to their city boundaries. As a consequence, the private utilities bought up and absorbed the smaller municipally owned systems by the dozens.

More of the municipals would have gone out of business had it not been for a reverse development which now emerged in the changing electrical technology. This was the appearance, during World War I, of the small but efficient oil-burning or diesel power plant. The new diesel plant again made the generation of electricity economical for the smaller areas of the municipally owned enterprises. In the twenties, therefore, even before the public power policies of the New Deal entered the picture, the municipal systems, partly as a result of this new technical advantage, began to revive their position. In terms of electric generation during the decade 1922-32, they almost trebled their capacity, running neck and neck, so far as rate of growth was concerned, with the privately owned utilities. And this occurred in a Republican period when we were supposed to have been giving the inside track to the private utilities. Thus does power technology take precedence over power politics in the developing American scene.

The biggest technological bonanza for many municipal systems was of course the giant federal hydroelectric dam, which began to appear at the beginning of the thirties. Taking advantage of the federal preference laws entitling them to a priority claim upon all federally generated power, the municipalities reversed the earlier process and began to buy out the embattled private utilities.

If the newer federal hydroelectric dam were purely a power project from the technological point of view, its impact upon private power might have been less serious. But besides generating electric power the government dam assumed a chain of additional technological functions, holding back flood waters, controlling river navigation, irrigating our farm lands, and even nurturing our fish population. Conceivably, these separate functions, like the single function of electrical supply, could have been performed by our private utilities. But there is no profit in these services, and the private companies would have been driven frantic if they had had to arbitrate the competing claims of all these rivalrous groups of water users. Some preferred irrigation to power, others demanded navigation more than they wanted either of these, still others insisted on grazing land as against huge storage

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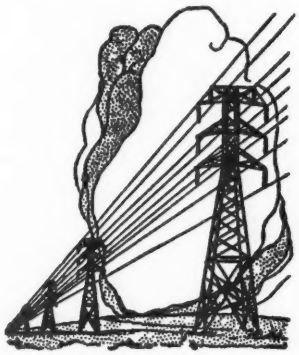
lakes, and there were also those who favored bass in the reservoir to salmon at the fall line. The modern hydroelectric dam thus came to be publicly owned and publicly operated as much for technological as for political reasons. It is a multipurpose instrument of the power age, specially suited to public management in a multigroup society like our own.

Now that we are undertaking the commercial development of atomic electricity, what is going to happen to the public power trends of the past?

Political opinion has not fully crystallized respecting atomic energy control, and so far as general public opinion on this question is concerned, we know little. Desirable as it may be in the minds of most people to reduce the range of federal functions, and advantageous though private atomic development may be considered for the strengthening of our national economy, it is probable that our governmentally administered atomic energy industry has not lost stature in the public mind. On the contrary, the atomic energy program probably represents for most Americans quite a dramatic technological accomplishment of our political society—or possibly a dramatic political accomplishment of our technological society. Nor should it be forgotten that our public "monopoly" of atomic energy has incorporated some of the most unique contract and other business devices ever used by government to stimulate private enterprise and to enlist private institutions on an unprecedented scale. It would not be surprising, therefore, to witness during the present transition to the atomic age, the persistence of some degree of public management and to experience some repetition of the same kind of oscillations between public and private power which were experienced previously in the history of our energy technology.

We are already in the pilot plant stage of the "atomic breeder." But the atomic breeder is little more than a large central station generator or "regenerator," and this means we may again be faced with the prospect of a changing balance in favor of private power. This is exactly what occurred when the large steam-generating station appeared on the scene. At the same time, we are also in the pilot plant stage of the smaller "package power reactor," suitable for areas beyond transmission-line range or for smaller detached communities. The reactor could have the same kind of an encouraging impact upon municipally owned systems as did the efficient diesel plant a couple of generations ago.

No one can now foretell the detailed direction of our energy technology during the atomic age, but one of the determining elements may well turn out to be the relative rate at which our existing electric plant—private and public—can be converted to atomic power. The coal-burning "steam boilers" of some of our privately owned power plants may become obsolescent before they are fully amortized, whereas God's gift of inexhaustible falling water may continue to energize government generating plants for many years thereafter. Exactly which side will reap more advantage in the emerging energy economics, it is hard to say, but it is clear that the trump cards are not all in one hand. We no sooner undertake to revise the government monopoly provisions of the original Atomic Energy Act to facilitate private development than we have to face the demands of the public power



Partisan Differences on Public Power

"REPUBLICANS who do accept the Hoover-type public power formula try to differentiate it from the New Deal program on three main grounds: (1) They favor construction of federal dams but oppose federal power marketing; (2) they favor local power agencies but oppose federal power authorities; (3) they favor federal hydroelectric generation but oppose the federal government's extension into steam generation. Over the years, however, none of these distinctions have held up well in the arena of practical politics . . ."

agencies that their historic preferences and priorities be preserved.

POLITICALLY, of course, the private utilities have long been on the defensive. Yet, the rise of publicly owned electric power from 7 per cent of the nation's generating capacity in 1932 to 22 per cent at the present time does not mean that American political opinion now positively prefers public ownership. Past opinion polls do in fact suggest a contrary possibility; namely, that there has been somewhat of a reduction in the proportion of Americans who favor public power. Thus, in 1936, 40 per cent of those questioned favored government ownership of power companies, as compared with 37 per cent ten years later.

There is, moreover, active opposition to public power on the part of widespread groups, ranging from the Izaak Walton League, which wants to protect fishermen's paradises from the threat of high federal dams, to the United Mine Workers of America, who are fearful of hydroelectric competition with our coal-burning steam plants. Labor opposition even comes from AFL's Electrical Workers and the CIO's Utility Workers of America, for the simple reason that these unions would rather bargain with the criticism-conscious private companies than with the publicly owned power systems.

IN the continuing debate over public and private power, our bark has sometimes been worse than our bite. At the height of the polemics of 1952, a critic of public power declared that the government projects were "conceived in hatred, born of malice, sustained by greed for power, attained the heights of hypocrisy, the degradation of deceit, and should be consigned to the depths of Dante's Hell." At another point during the 1952 election, the President accused the private utilities of "yapping about Socialism and a lot of other silly slogans." In Congress, the public power bloc in the Senate proposed an investigation to determine whether the private utilities were conspiring to "incite, influence, or control public opinion." In the House, the opposition demanded a congressional investigation to discover whether the public power groups were engaging in "un-American and subversive activities."

Nor is business itself fully united in its attitude toward public power. Some businesses are, in fact, surprisingly lukewarm. The electric appliance industry, which has thrived on public power in many areas, has not been notably articulate. The rapidly growing aluminum and atomic industries, whose lifeblood is plentiful power, sometime give outright support to public power programs.

THE state of our power politics has generally been more readily observable on the regional than it has been on the national plane. It is in the several regions of the country that the significant trends in policy and practice with regard to public and private power express themselves in different proportions and at various rates of speed.

The Tennessee valley, for example, has long been a dramatic setting for the redefinition of our national power policies. In 1912, the U. S. Commissioner of Corporations reported to President Taft that half of the government's 23,800 "12-month horsepower" came from Hales Bar on the Tennessee. But, the commissioner reported, this was under a 99-year lease to the private utilities and "should not be considered in this discussion because the federal government will have no control over the disposition of the power at the Hales Bar development until the expiration of the lease." Hales Bar is now one of TVA's medium-sized dams.

Now that Tennessee valley power has been totally and compulsorily "governmentalized," is another change of direction possible? A generation of uninterrupted and—few would gainsay—of successful performance on the part of TVA between 1934 and 1954 does make a difference in regional sentiment if not in national policy. TVA's twentieth anniversary celebration last year produced the paradox of businessmen and chambers of commerce throughout the valley joining with labor unions and farm organizations in extolling TVA's contributions to regional development, local initiative, and states' rights. The chairman of The Citizens for TVA, Inc., has been S. R. Finley; his full, duly christened name is States' Rights Finley.

IT is not surprising, therefore, that when President Eisenhower last year referred to TVA as "creeping Socialism," the charge caused no more of a popular ripple than did ex-Vice President Barkley's countercharge of "galloping paralysis."

Yet there was some adverse official reaction in the Tennessee valley, and the President felt sufficiently concerned to consent to sit through a discussion conducted by young Governor Frank Clement of Tennessee at the 1953 Governor's Conference in Seattle. Here the President listened good-naturedly to a point of view and to comparative statistics about public and private power which he admittedly had not heard before.

Governor Clement later carried his message on to the White House, where he went beyond statistics and appealed to God. "TVA has been a pilot plant," the governor argued, "to show how men can develop their resources by democratic means for the benefit of all the people and, I humbly submit, Mr. President, to the greater glory of God. What I mean, Mr. President, is that an electric power dam can be a religious symbol, as certainly as a cathedral can; that a rural co-operative board can be devoted to godly ends, as well as a board of Methodist stewards."

It may be helpful for those who want to gauge the temper of the South with respect to public power, to realize that this sort of appeal has always been popular in the Bible Belt. Pleading in the House of Representatives in 1928 for both the Tennessee's Muscle Shoals and the Colorado's Boulder dam, Congressman William Lankford of Georgia exhorted: "The government is not building power sites at either of these locations. God builded them for the people."

To such public power doctrines, even experienced southern Republicans seem to have capitulated. This has happened, for example, in the case of the veteran Republican Congressman B. Carroll Reece of eastern Tennessee, who once served as chairman of the Republican National Committee. In 1930, Reece warned Congress that the Muscle Shoals project—which was TVA's predecessor—was "un-American and unsound and ultimately would lead our country to grief." He also insisted that the Tennessee region was "already supplied with ample power." Back in Congress a generation later, Reece now supports TVA appropriations, assures the House that "TVA has become an efficient, businesslike organization," and contends that "every segment of our economy, our entire being in Tennessee is dependent upon the successful operation of TVA."

For traditional Republican power principles to be rejected in the Democratic South is not surprising. But continued resistance to Republican power concepts in

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the more normally Republican Columbia valley of the Pacific Northwest is more perplexing. For, the Columbia has an even longer public power record than does the Tennessee. It was the backbone of the public power district movement which antedated the New Deal. Moreover, the city of Seattle had long been a hotbed of municipal power. In 1930, Seattle's citizens recalled their mayor for discharging the city's power manager, J. D. Ross, who was thereupon hired by Governor Franklin Roosevelt of New York as consulting engineer for that state's St. Lawrence river project.

The Columbia valley has so far escaped a CVA of the TVA pattern, although it is six times as big as the Tennessee valley and has twelve times as much hydroelectric potential. Yet the Department of the Interior's Bonneville Power Administration, a New Deal creation, does exercise some leadership over a hydroelectric grid in the Columbia valley which almost equals and will soon exceed TVA's hydroelectric capacity.

THE present public power predilections of the Northwest can be estimated from the fact that its four state governors —all Republicans—have balked at federal budgetary "slippages" in the administration's completion dates for Chief Joseph, the Dalles, and other federal dams in the Columbia valley. Moreover, Secretary of the Interior Douglas McKay, having started out by withdrawing the federal government's objections to the private development of the still-pending Hell's Canyon project, is now hoping to reverse the earlier "no new starts" program for federal dams in the Northwest, possibly by means of "partnership" arrangements involving combined public and private plant financing and construction.

Haltingly but conscientiously the administration is thus trying in the Northwest region to concretely work out its revised federal power program of "local initiative, public or private." Meanwhile, the region's entire crop of congressional candidates, Republican as well as Democratic, is getting restless about grass-roots sentiment and is eagerly asserting allegiance to various forms of public power.

Twice the size of the Columbia with twice the hydroelectric capacity of the Tennsesee, the Missouri valley is less addicted to public power. But it is not completely immune. In dedicating the Missouri basin's giant federal dam at Fort Randall recently, South Dakota's Republican governor, Sigurd Anderson, described the event a "D-Day for the people living in the Missouri basin." By D-Day, he explained, "I mean dividend day, dividends in power. . . ." Likewise, one of President Eisenhower's biggest majority votes came from the state of Nebraska, lying in the middle of the Missouri basin; yet Nebraska is the one state in the Union with a statewide, publicly owned power monopoly.

IN different degrees, public power is accepted in still other sections of the country—in the Southeast, the Cumberland valley, the Southwest, the Central valley of California, and the Colorado basin. The latter is the locus of Hoover dam, the Republicans' colossal contribution to public power. Hoover dam is symbolic since it is the type of federal power project—multipurpose and federally constructed with bus bar sales to local public and private agencies—on which the Eisen-

The Impact of Atomic Energy

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hower administration seems willing to take its stand. Anything beyond this may be assigned to the category of "creeping Socialism," a phrase which ex-President Hoover rather than President Eisenhower used originally.

Yet there are differences in the Republican high command which show how elastic public power policy making may have to be. Last year Governor Dewey almost singlehandedly restrained the Republican Congress from assigning Niagara power development to a group of private utility companies, although it is a single-purpose hydroelectric undertaking and falls outside the pale of the Hoover formula. Recently the Republican breach was widened when Governor Dewey's appointee, Robert Moses, chairman of the New York Power Authority, told the Hoover Commission Task Force on Water Resources and Power, "This drivel about creeping Socialism is getting very tiresome."

REPUBLICANS who do accept the Hoover-type public power formula try to differentiate it from the New Deal program on three main grounds: (1) They favor

construction of federal dams but oppose federal power marketing; (2) they favor local power agencies but oppose federal power authorities; (3) they favor federal hydroelectric generation but oppose the federal government's extension into steam generation. Over the years, however, none of these distinctions have held up well in the arena of practical politics, and largely because they are scuttled by both Republican and Democratic members of Congress when the roll is called on specific power bills.

With regard to federal power marketing, there has been a series of theoretical Republican alternatives, such as bus bar power sale to local and private utilities at the bottom of the dam, the possibility of rental by the utilities of the government's water as it falls off the top of the dam, and purchase or rental of the government's powerhouse or generators. In actual practice, however, Republicans, especially those representing public power constituencies, have foregone such technical refinements and have often joined Democrats in steamrolling legislation and appropriations for federal transmission lines and marketing arrangements as well as for federal dam construction and power generation.

So it is with the administration's second distinctive policy — "local initiative, public or private," and the related partnership proposal between private and public development. In effect, this means that the administration would like to see privately owned power systems share with the publicly owned systems some of the long-standing local preferences and priorities first enacted by the Republicans themselves in 1906.

The Republicans cannot repeal these preference laws without committing political suicide in various regions of the country, although they might temper their enforcement. For, our locally owned power projects represent a vigorous and a virtually autonomous part of the entire public power movement, with a longer and a stronger history than the federal power program itself. The newly devised Republican policy to extend the concept of local initiative to private as well as public power, actually runs some risk of opening a Pandora's Box of more municipalization.

Our 2,000 existing municipal systems, together with our public power districts, state power systems, and rural co-operatives, now operate about half of our public capacity, almost nine out of 20,000,000 kilowatts. Besides 2,000,000 kilowatts of hydro capacity of their own, these local systems have 1,500,000 kilowatts of diesel capacity, and 5,500,000 kilowatts of steam.

To impede this invasion into steam generation by public power agencies is a remaining objective of Republican policy. But the difficulties here are no less formidable than those the administration faces in enforcing the new "local initiative" and the old "bus bar" policies.

For example, a minor but worrisome source of possible steam competition comes from the 1,000 rural electric co-operatives, which are being wooed by some as another form of private power but which insist in bestowing their support upon the public power camp. With more rural customers than the private utilities now serve, the rural co-operatives command faithful support in Congress, and the present Republican administration seems to be outdoing

the Democrats in passing new REA appropriations. Besides their vast purchases of power, the co-operatives are already operating a half-million kilowatts of steam and diesel generating capacity of their own. The Arkansas Electric Co-operative Generating System, a super co-operative representing 11 co-operatives straddling the state boundaries of Arkansas, Oklahoma, and Missouri, has been awarded a $10,500,000 REA loan for new steam plant construction.

THE most pressing competition in steam generation comes, of course, from the federal government itself. At present only about 2,500,000 out of 12,500,000 kilowatts of federally owned capacity is steam, virtually all of it located at TVA. But as a result of construction now in progress, TVA's over-all generating capacity, which now totals 6,000,000 kilowatts, will by 1956 rise to about 10,000,000 kilowatts, and the bulk of this capacity will be steam rather than hydro.

It is true that Congress has given expression to the Republican no-steam policy by refusing TVA permission to build its planned Memphis steam plant, which was thought to be essential if TVA is to keep its production schedule abreast of the voracious power demands of the Tennessee valley, especially of the growing atomic industries in this region. As a substitute, President Eisenhower has ordered the Atomic Energy Commission to contract with a private utility group for the supply of power to TVA from a steam plant to be constructed at West Memphis across the lines in Arkansas.

THIS mandatory arrangement could have meant the end of TVA's steam expansion, and it was also thought by some to represent a challenge to TVA's erstwhile power monopoly in the valley. Whatever the merits may turn out to be of this new Republican formula for carrying out the reduced federal steam construction policy, the fact is that it, too, as in the case of other solutions sought by an administration which has had to adopt a lusty public power baby from its predecessor, had to be passed upon by a Congress, which, though it was Republican-controlled, showed its public power sympathies.

In the course of the debate on this question and an accompanying Senate filibuster of unprecedented length, a Senate subcommittee requested the AEC to halt the contract negotiations ordered by the President, pending subcommittee investigation of the high cost of the private project as compared with the estimates for public construction of the kind TVA has

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been carrying on. The subcommittee apparently had in mind TVA ex-Chairman Clapp's evidence covering the only comparable contest on record, that between TVA's construction of its Shawnee steam plant near Paducah, Kentucky, and the Electric Energy Incorporated's construction of its Joppa steam plant just across the river in Illinois—a contest which TVA is said to have won in terms of speed, costs, and labor tranquillity.

Whatever may be the outcome of the transitional policies we are now trying to perfect, it is well to recall the historic American trend toward a varying mixture of both public and private power, with a constant tendency to integrate both without conquering either.

ONE of the earliest advocates of power integration was Samuel Insull, who made no secret of the fact that he got his original inspiration from both municipalized enterprise in his native England and private power development in Germany. And although the New Deal pitilessly prosecuted him in the 1930's Insull was one of the prophets, though not a priest, of public power. In 1913, when he started to build up his holding company empire, which for transient technological reasons was then limited to the Great Lakes area, Insull predicted:

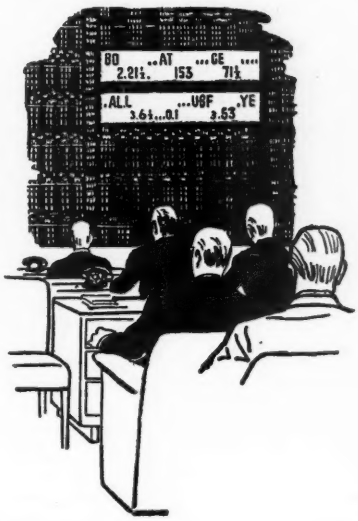
> Just as inevitably as the sun rises and sets, so, to my mind, it is inevitable that eventually the production of energy for any given community or any given territory, whichever may be found to be the economic basis to operate on—the control of that production and the control of the distribution must be in the hands of one organization. If it cannot be done any other way—if that result cannot be obtained through the medium of private capital—I feel so strongly as to what must finally take place, that in my judgment it will become a public function.

INSULL's prediction has not fully materialized, although some would say that the "economic" area for energy management has come to be nation-wide. Our power system is not yet, and most of us hope it never will become, either a monopolistic business or a monolithic bureaucracy. What we actually have in the United States is a patchwork of more than 500 private utility companies, 20 holding companies, 2,000 municipally owned enterprises, 1,000 rural electric co-operatives, 60 public power districts, a half-dozen state-owned systems, a dozen federally owned regional networks, and a few federal departments or authorities which are virtually super holding companies for the public. The bulk of the electrical generating business—over 75 per cent—remains in private hands, and a larger proportion still of the distributing business—about 80 per cent—continues to be private. At the distributive or retail end there is little competitive overlapping. Only 100 American communities have some degree of duplication of electrical distributing systems.

BUT beyond that—in the generation and the wholesale transmission of power—we are facing some of the very dangers Insull warned of. Government transmission lines often carry public power to "preference" customers right past the door of private consumers. The REA-fostered rural co-operatives, created primarily for power distribution purposes, go into the

The Feat of the Power Industry

"In the face of all of the competition which the investor-owned utilities have had to withstand from public power, they have nevertheless accomplished the phenomenal job of more than doubling the size of their investment since the beginning of World War II. Their present rate of earnings compares favorably with that of 1939, and the number of their investors has risen to 3,500,000. Like the government projects themselves, they are being managed by the trustees of an ever-widening public."



generating business in some regions on the plea that they must "protect" their "original investment." The government's Corps of Engineers and its Bureau of Reclamation enter into "agreements" to control their own rivalries for power appropriations. Congressional commitments to abstain from reorganizing these duplicating bureaus led a former western governor to condemn such bureaucratic deals as "incestuous relationships." Even during the New Deal, power was a major cause of internecine warfare. Besides vying with each other over specific power projects, Harold Ickes' Department of the Interior and Henry Wallace's Department of Agriculture fought the TVA idea as vigorously as did some of the private utilities.

The private utilities, too, compete with each other for the control of areas or intertie lines at their periphery. And some have been known to engage in running skirmishes with public agencies, reportedly establishing "spite lines" to skim the cream from power-marketing areas more suited to public power. Or a private company may appear before the Federal Power Commission to pre-empt a license for a multipurpose hydro site on the public domain with no intention of exploiting water resources to the full extent of engineering potential.

Yet, behind all of these conflicts there is evolving a type of integration between investor-owned and government-owned power systems which promises to be unique in the annals of private management and public administration. More than 20 per cent of all federally generated power is sold to the private utilities throughout the country for resale to their own consumers. This includes considerable

TVA power sold to neighboring private companies, whose power supplies have thus been "firmed up" by TVA's phenomenal development. On their part, the private utilities throughout the country contribute to these integrated operations by selling large blocks of power to the public agencies.

REA co-operatives purchase more than half of their tremendous requirements from the private companies. Additional private-public integration occurs through "wheeling contracts," under which private utilities transmit power to public preference customers located on private transmission lines, in exchange for government power delivered to the private companies at convenient points.

NEW forms of private and public collaboration constantly arise, and the present administration's "partnership" proposal represents a continuation of this search for power integration. In the Pacific Northwest, the public utility district of Chelan county has already built most of the generating capacity at the Puget Sound Power & Light Company's Rock Island power plant. Some of the joint engineering activities and administrative communications, which must go on between public and private agencies daily in order to operate these collaborative arrangements, have become part of an accepted code of integrated power management in some sections of the country.

The system has been called "mixed management," but it is different from the European mixed corporation in which securities of individual enterprises are owned partly by the private and partly by the public agencies and in which the controlling boards of directors contain both private and public members. It is rather a system of outright private, or in some cases public, ownership of single enterprises, which are integrated, however, in their management operations. It is, in short, another expression of the American drive for larger-scale management, while permitting a wider diffusion of decision-making responsibility.

UNRESOLVED questions still remain in the administration and planning of the nation's power network, but as a long-range matter these are being decided on an increasingly rational basis. The crucial test to apply is: What proportion of public, private, and mixed power in the various regions of the country is going to produce the greatest engineering efficiency, financial economy, and managerial competence when measured in terms of rates, earnings, and costs to the consuming, the investing, and the tax-paying public?

The fateful test of finance is not new in the field of power management. During the last twenty years, we have achieved a more efficient electrical industry by reorganizing uneconomic utility companies and by eliminating superfluous holding companies. Today, the public power enterprises we have built up alongside our private utilities are being increasingly subjected to similar tests of economy and efficiency.

"It is clear," as a past president of the Edison Electric Institute noted, "there is no real magic in government power which sets it above economic law." We do not have to be financial geniuses to see how essential it is to heed the warning of another utility executive that "no public power project can ever be a real measuring device as long as it is tax-exempt, or

can obtain construction money at government bond rates, or can allocate part of its electric cost to flood control or navigation."

THE fact is that both by law and by accounting practice, our public projects are being increasingly required to follow procedures which make them more tax-paying, more interest-bearing, more self-liquidating. Government appropriations, interest-free loans, tax subsidies, and other preferences which have been granted to public power projects are being more rigidly scrutinized. Our most notable bond houses now handle municipal and other public power securities backed up by substantial, publicly owned utility properties. The books of our public enterprises, as in the case of our private utilities, are being audited by the nation's most reputed accounting firms.

Airtight financial comparison between public and private power is a tricky matter, but we are nevertheless resolved to prevent both sides from engaging in any unwarranted "dressing up" of the balance sheet.

We may even begin to require still more rigid accounting from the private utilities themselves. For, during the defense period, they, too, have profited greatly from liberal tax "subsidies" and amortization allowances. And we should recognize the possible existence of other unresolved accounting issues, such as the delicate question of how to more clearly distinguish commercial advertising from political propaganda—an issue, by the way, from which public power expenditures are not wholly immune.

IN the face of all of the competition which the investor-owned utilities have had to withstand from public power, they have nevertheless accomplished the phenomenal job of more than doubling the size of their investment since the beginning of World War II. Their present rate of earnings compares favorably with that of 1939, and the number of their investors has risen to 3,500,000. Like the government projects themselves, they are being managed by the trustees of an ever-widening public.

This overriding responsibility owed by private as well as public power to the wider American public leads me to suggest there be created an American Energy Institute with specialized sections devoted to engineering, finance, law, and management, which can enlist the very impressive professional experience and intellectual talents we have built up in the minds and the personalities of our power technicians and

¶ "LOOKING *forward to the future, we are far from a completely integrated energy technology, furnishing power by political fiat to electric consumers throughout the country at postage stamp rates. But our ever-growing economic and social frontiers and our newly developing geographic regions will call for constant technological renovation and also for further political and business experimentation. Our technology has always developed along with our geographic and our political frontiers.*"

tycoons who are employed by both American business and American government. The Edison Electric Institute and the American Public Power Association will, of course, continue to be needed to serve their memberships. They may even be more needed. But when it comes to the handling of data, the trends, and the technologies, the American public deserves a fuller pooling of American brains than a segmented association setup could supply.

LOOKING forward to the future, we are far from a completely integrated energy technology, furnishing power by political fiat to electric consumers throughout the country at postage stamp rates. But our ever-growing economic and social frontiers and our newly developing geographic regions will call for constant technological renovation and also for further political and business experimentation.

Our technology has always developed along with our geographic and our political frontiers. Andrew Jackson was reported to have said that he never saw a Kentucky frontiersman without a plug of tobacco, a jug of whiskey, and a rifle. The historian, Walter Prescott Webb, characterized our broader westward movement in terms of the six-shooter, the barbed-wire fence, and the windmill. We are now about to witness the filling up of the remaining interstices on the American frontier by means of newer technological creations, such as the multipurpose hydroelectric dam, the atomic power breeder, and the solar energy reflector.

THERE will remain the over-all question of how to administer the energy technology of our new scientific frontier. Here is the answer offered by the great liberal publicist, William Allen White, speaking to the last generation from the heart of the country in Emporia, Kansas:

> Don't delude yourselves about your new frontier. For on that frontier which will rise over the laboratories, you will find the same struggles, the same hardships, the same inequities that your forefathers have found on every frontier since the beginning of time. But don't let that discourage you. . . . Out of the laboratories will come new processes to multiply almost infinitely material things for your America—but only if you will hold open the channels of free science, unfettered thought, and the right of a man to use his talents to his utmost, provided he gives honest social returns for the rewards he takes.

Our answer can be no less.

"COMMERCE under the old dynasties and empires and even governments of more recent times, had its leaders but it was always an elite, a select group, definitely limited in numbers. In this country there is no select or elite class representing annointed leadership and at no period in history has there been the potential talent available as is present in this great land of ours and it should be encouraged to combat any time any forces inimical to the tenets laid down by our founding fathers."

—CLIFFORD F. HOOD,
President, United States Steel Corporation.

More on the Small Shareholder

In the recent general tax revision bill passed by Congress, there was some recognition of the need of tax relief for the small shareholder. It was the first time in many years that Congress has specifically paid attention to the rights of investors from a tax-paying standpoint. This suggests that the small shareholder might well be a political power in his own right.

By ERNEST FREDERICK LLOYD*

THE "Political Power of the Small Shareholder" (PUBLIC UTILITIES FORTNIGHTLY, April 9, 1953) is being silently, but none the less forcefully, exerted on government. The supporting evidence is in the rising opposition to extending, and even to maintaining, government ownership. And that movement is now in process of receiving a vastly increased support.

At the bottom of this opposition and new support is the fact that civilization, in whatever form, rests upon property. In this fact none has a greater interest than the owner of a little. In a slave state, the worker himself is property, without any power to determine what may be done with him or about him.

In the ideal form of a free society, everyone would possess so much property as represented his social contribution in the form of ability, industry, and thrift in excess of his "reasonable" cost of living. And he would be politically entitled to participate in the determination of all matters that concerned him. That means private property and universal suffrage. All that is age-old in political thought. Aristotle stated it tersely: "The only stable principle of government is equality according to proportion and for every man to enjoy his own," . . . "It is clearly better that property should be private, but the use of it common; and the special business of the legislator is to create in men this benevolent disposition." If anyone can state our modern social problem with more terse accuracy, will he please step up.

PRIVATE property is of two sorts; that which serves the owner and that which serves the public, for the use of which the public is willing to pay the owner by in-

*Former president, Michigan Gas Association, now retired from active business. For additional personal note, see "Pages with the Editors."

terest and dividends and which we commonly think of as capital. This price for capital is controlled by the volume of capital available against the demand for it and the risk of its loss.

There are but few men who do not wish to own such income-producing property. To them the vast development of the industrial corporation in the present century affords an opportunity to spread their risk and also to own small shares in the business for which they work and know about. This takes form in the common stocks that represent the "facilities" of production.

We should note that common stocks differ from bonds, mortgages, preferred stocks, bank deposits, life insurance, pensions, and other claims payable in money. Common stocks are titles of *ownership*, in part, of tangible things and vary in worth according to the value of the business.

There are political thinkers who believe that the free nations let demagogic emotion run away with common sense in the enactment of universal suffrage; that inasmuch as civilization rests on property, some property qualification should attach to the right to create government. Again we are in the field of ancient thought: "For wherever your treasure is, your heart will be also." Matthew 6:21.

BE that aside as it may, it can be held with conviction that no more important task confronts managements today than to spread the *ownership* of their corporations among their employees through employee buying and holding of common stock. In such an effort, the greatest opportunity lies before utility managements for the prime reason that what applies to employees applies equally to the utility consumer.

For who, today, is not a utility consumer? The reasons seem obvious. First, as to the employees. Utility employees are, they must be, a picked group of the nation's hourly rated workers; they are an upper level in the scale of citizenship, careful and dependable; they must be such, and these are qualities that induce thrift. Thrift here has the best chance, for utility employment is more certainly regular than employment in competitive business.

The utility employee has a certain public position. He works, sometimes directly, for his next door neighbors, right, left, rear, and across the street. They pay a part of his wages, even as he pays a part of his own wage. A measure of public responsibility rests on him. His company is judged by his conduct.

As a stockholder in his company, all these elements are naturally emphasized for him. The political power of utility employees as stockholders, dispersed over the nation as they are, is a force to be reckoned with. Perhaps this may seem too self-evident for mention. I advert to it because it seems to me even more important than the wide dispersal of stockholders who can have no contact with a company in a distant state and can and do regard it chiefly as a dividend payer; any other concern for it is lacking.

SECOND, as to the consumer. We have here an entirely different situation from that of the ordinary buyer, who can procure his needs from one source or another. The mere fact of an exclusive source of supply is of itself a cause for friction. And that friction may rise from either or both sides. A cat and dog may

live together peacefully if they are not tied together. So with humans. The utilities of fifty years ago were much less sensitive to that fact than those of today.

THE end result is an immensely enhanced importance to consumer stock holding. Curious reasoning sometimes appears in such a situation. Some companies feel, rightly enough in an abstract sense, that the small stockholder is a disproportionate expense. Even some public authorities hold this view on the ground that the cost has an effect on rates. The argument applies equally to the minimum consumer. The answer to the small consumer problem is to get him to benefit himself by using more of the service. So for the small consumer-shareholder, get him to own more stock that his interest in the company may be a real one, that he may think of himself as an insider and defender of the company instead of a critic.

For the most part, too, the consumer is a neighbor of the employee, lives in the same way, and has much the same interests. With very little training the ordinary regular employee can take care of many consumer troubles as a mere neighborly help and, when both are stockholders, would have an impulse to do so. It is the binding of all together, through the medium of ownership, that is valuable. How potent this may be politically would seem to require little exposition.

SOCIAL evolution is a mysterious sort of thing. It exemplifies the doctrine that when each is free to seek his own advantage in a proper manner there is a common advantage. That doctrine is clearly apparent in the Monthly Investment Plan (MIP) recently devised and put into effect by members of the New York Stock Exchange.

The instant purpose, of course, was to create a wider field for business for the members. And that the plan is doing in a way that has astonished even its sponsors. It is not too much to say that it is creating an entirely new form of public ownership, the private ownership of American business by the general public. How really revolutionary this departure is, and how stabilizing on our economy it promises to be, stimulates the imagination. Already, the old demagoguery about "Wall Street" and the "Interests" is having a hard struggle to sway votes. (Just consider the thumping majority of the late Senator Taft in his last electoral campaign.)

The plan has two great advantages: one to the companies and the other to the public, who mostly are employees, somewhere. The advantage to a company, util-

¶ "PRIVATE *property is of two sorts; that which serves the owner and that which serves the public, for the use of which the public is willing to pay the owner by interest and dividends and which we commonly think of as capital. This price for capital is controlled by the volume of capital available against the demand for it and the risk of its loss. There are but few men who do not wish to own such income-producing property.*"

ity or other, is that it takes the company wholly out of the picture as a participant. But it does not stop a company from presenting the advantages to its employees of owning its common stock. All the handicaps and headaches in state and federal law are bypassed for a company, in the purchase of its stock by its employees, and by its consumers, through this MIP innovation.

NEVERTHELESS, a number of companies are trying to work out ways whereby they can meet the various legal handicaps. For that reason it may be well to note, briefly, what some of these troubles are. Perhaps in first place is the fact that for a company to engage in any effort to sell its stock to anyone is substantially to undertake a brokerage function. That is not the purpose for which the company exists.

There are legal difficulties. In an original issue, the Securities and Exchange Commission has ruled that stockholders of record have a pre-emptive right to subscribe for the issue. Stockholders can, and in some cases have, waived that right. Commonly, such stock is priced to the stockholder at less than the current market, the difference between the set price and the market being in the nature of a dividend, in cash or in stock. In either event, the stockholder's capital investment is reduced.

A curious fact appears here; namely, a distinction between the corporation as an entity distinct from its stockholders and the common thought of the stockholders as the corporation. Not only do some corporations seek waivers of the stockholders' pre-emptive rights, but some price the new issue so close to the current market price that there is no value in the subscription rights; the subscriber's only gain is an avoidance of broker's commission if he wishes to increase his holding.

SOME companies obtain authority to reserve a portion of an issue for subscription by employees. Others grant the right to employees to subscribe for shares not taken by the stockholders under their pre-emptions. Still others make arrangements so that employees may borrow from banks the sums to enable them to subscribe for stated amounts.

All these are complicated, troublesome, and sometimes costly. For all those reasons the plan devised by the New York Stock Exchange is something more than a blessing.

THE ordinary hourly or weekly rated employee and consumer is confronted with a really serious problem when he tries to invest his savings. That is to say, he has been heretofore. Savings banks necessarily pay very low interest. Government has astutely exploited this fact by offering bonds in small sums at slightly higher rates and providing that they can be cashed at any time, at a discount, before maturity. This is not the place to discuss the ethics of the government propaganda and practice.

The basic question is: What is a worker to do with his savings? He may buy a home on contract, a large commitment and one that may hamper him in many ways, considering modern employment mobility and, for many, job insecurity. His savings therefore become a hedge against lack of work or sickness. Life insurance has been one outlet, but that, too, is a long-time commitment.

Of higher social importance, he remains

The Force of Mass Stock Ownership

"IN the present time and for the foreseeable future the main issues are those of public finance and the distribution of the national production. These issues are in the field of economics, of business management, a field in which the politician, by the very nature of his calling, is not particularly fitted to deal. In this new field, in only the single detail of electricity supply, if and when a preponderance of both employees and consumers have become stockholders their political power may well become decisive."

but one part of industry, he has no direct ownership in it. And there are quite enough interests abroad in the land to create and foment every sort of dislike and distrust of the very means by which he lives. And not less, of those who are conducting it—management.

It is these problems that the MIP can, and we may believe will, go a long way to resolve. It may be difficult to conceive any plan that could be much better.

BRIEFLY and in substance, under the plan, anyone goes to a stockbroker (as a matter of fact, the broker is going to him) either alone or as one of a small group or club, selects any business whose stocks are listed on the New York Stock Exchange (other exchanges are falling in line) and pays down $40 a month or a quarter for the broker to buy for him shares in the selected company.

The broker at once buys such shares or fraction of only one share (depending on the price) of the selected stock, figuring fractions down to four decimal points. *That much stock at once becomes the buyer's property.* The broker charges a stated commission for the service.

The buyer can stop at any time. If he has bought more than a full share, the share (s) is delivered to him. Any fractions are sold and the current price paid him (refunded) in cash.

He can buy into different stocks every quarter and when he has acquired as much as only one share and it is registered in his name he is an owner in that business and industry, will receive its quarterly reports, its dividend, and its annual report. Thus by owning only some half-dozen shares in different companies, he will have a direct and comprehensive statement quarterly and yearly of the major industries of the nation. What is more, these reports are becoming increasingly accurate and reliable, tell him not only about the business but about the men who are running it.

THERE is no need for the buyer to act alone. Ten buyers can form a club, pay in to an elected treasurer about $10 a week each, on the monthly plan, or about $3 a week each on the quarterly plan, and have all the benefits that accrue to any odd-lot buyer.

There is *no speculation,* except as the ownership of any sort of property is speculative, an automobile or a washing machine. His stock may rise or fall in market price, just as might happen to his house. But a house does not change in value as a place to live simply because it will sell for either more or less in price. In the same way, the more stable industries, particularly the utilities, maintain a dividend they have found expedient as a means of securing capital for their extensions. There is nothing indicated at present to warrant thinking the end of utility expansion is in sight.

Having made the broker a payment, although it covers only a fraction of a share, dividends begin to accrue to the buyer's credit. He has become an *owner.* A share of stock is substantially an ownership in fee, as is a deed to a piece of land. Stock ownership has certain additional advantages. The owner can take it with him wherever he may go. And he cannot be held personally for any debt that may accrue against the property.

CLUBS for buying common stocks under the MIP are springing up all over the country. In my small city one broker alone is serving some twenty of them, each composed of ten members. These groups meet monthly, decide from time to time what stock they will buy, have their broker attend meetings, if they wish for talks on securities and to advise on investments. The whole subject of business is thus opened to discussion and study.

The New York Stock Exchange reports hundreds of clubs operating in utility stocks, independently of the companies involved. In many of the larger cities there will be a score or more of brokers who are members or who can operate through members of the New York Exchange and all may seek customers from the same utility. Some companies are discussing the possibilities of interesting themselves directly in the movement within the scope of the state and federal law, but no plans have been passed on by the Securities and Exchange Commission.

The important point is that the movement is proceeding apace on its own power.

We may feel a great deal of assurance that the efforts of stock brokers to increase their business, a desire that actually created the MIP, will spread small share holdings faster and more widely than any efforts that could be made by utilities or other companies acting each for its own stocks.

That assurance, however, in no way rules out efforts by the companies in respect of their own stocks. On the contrary, whatever any company may do may be expected to aid the brokers. For the field has become so large and has been so little worked that many years must elapse before ample opportunity will cease.

Whether companies find means to coordinate their plans with the MIP or proceed alone will probably make little difference in the end results. We are an ingenious people and one of the prime reasons for our prosperous condition has been the freedom of competition of ideas. Traditional ways which hamper older peoples have had no place with us.

THE utilities have not escaped that infection. Already a large electric company has evolved and put into use a most clever adaptation of the MIP, but on an entirely independent basis. Briefly, its plan is this:

An employee instructs the company to retain from his weekly pay a stated sum, the minimum being two dollars. When these retentions amount to the current price on the market of a share of the company's stock a share is bought. The company holds the share for the employee until five shares have been so acquired, whereupon a certificate for five shares is issued to the employee and a new start is made. All dividends accruing to the less than five shares before delivery are credited as payments on the account. The employee may stop the plan at any time, whereupon any full shares that have been bought are issued to him and any cash on hand is returned to him. No charge is made by the company for this service.

There will, of course, be various modifications in such a plan as various companies may adopt it. But these are details of operation such as where and how a company's stocks are traded and possibly state laws; these need not detain us. The basic fact is the extreme simplicity of the plan itself.

THE simplicity of this employee purchase plan spurs an intriguing thought. It would seem to be practicable for a company to let a consumer authorize the company to add a stated amount to the monthly bill for service, to be used for stock buying. The operation would thereafter be precisely the same as for the employee.

Doubtless there are managements that will look upon such an extension as altogether farfetched. But there is also a broader outlook. Little as the fact is realized, the modern industrial corporation is steadily trending in the direction of a social service institution. Many services are today common that would have shocked a management of 1900. There is a steadily increasing emphasis on the comforts and desires of employees. For the utilities, a natural extension of that concern is toward the consumer. He is not less tightly tied to the company.

WITHOUT allowing oneself to be carried away by overenthusiasm, what promises to come from this new movement in the several forms it may take, is a private ownership of business by a substantially large segment of the population. That is something so entirely new in history as to premise a profound revolution, a veritable culmination of the principle of democracy, an "industrial democracy" that agitators have demanded with-

out realizing that civilization itself rests upon property and that the true industrial democrat is one who has a stake in the means whereby his standard of living is made possible.

It follows, that the Monthly Investment Plan of the New York Stock Exchange and whatever plans it may spur, avoiding all long commitments, all speculation, creating an instant ownership, affording managements the opportunity to take their story directly to the voting mass of the population without benefit of political sophistry, and enabling that voting power to acquire a fundamental knowledge of the processes of business, may well be a bottom foundation stone in an economic structure for the preservation of our cherished way of life.

The argument for that view is powerful and persuasive. We are in a new age with new questions. The high emphasis on political relations which occupied the eighteenth century, extending to our Civil War, and not really culminating until the enactment of universal suffrage, is no longer dominant.

G. Keith Funston, Stock Exchange president, recently reported that more than 19,000 "pay-as-you-go" plans for buying stock were already in force, with new ones coming in at the rate of 100 to 150 a day. Plans completed at that time (mid-July, 1954) were approaching $4,000,000 and orders were estimated to exceed $45,000,000.

Detroit Edison has announced a plan for stock sales to employees, following SEC approval, and there is a movement under way in the Alabama Power Company.

In the present time and for the foreseeable future the main issues are those of public finance and the distribution of the national production. These issues are in the field of economics, of business management, a field in which the politician, by the very nature of his calling, is not particularly fitted to deal.

In this new field, in only the single detail of electricity supply, if and when a preponderance of both employees and consumers have become stockholders their political power may well become decisive. For, as shareholders, they will then receive, with their quarterly dividends and the annual reports, an accurate breakdown of the income and expenses of their companies. Thus they will automatically have an education in the processes of the national economy they now so woefully lack. The salutary and stabilizing influence of that knowledge can hardly be overvalued.

Not less to the point, the electric consumer particularly is, like the employee, in immediate contact with the company. In this he differs from the shareholder in the general run of competitive business, who may be far distant and unable to attend shareholder meetings and so be able to get into direct contact with management. From such contacts management learns the ideas which tend to determine the consumer's attitude not alone toward the company but as well toward the economic order under which we live. Education is a reciprocal process, the wise teacher learns as much as he imparts. Business is an exchange of specialized services. To be stable there must be a *quid pro quo,* the processes of which both sides understand.

They Look Up To Their Business

Expert professional tree trimming by independent firms specializing in the business has been an old story in all lines of public utility operations for some years. But there are public relations factors which are involved in the actual practice of tree trimming for specialized purposes of electric power and telephone utility operations.

By HENRY F. UNGER*

Not so long ago the president of a bustling western electric utility gave a vigorous affirmative nod to a question, "are you interested in providing constant and reliable electric service to your customers?"

The questioner, a representative of a large tree-trimming organization, convinced of the president's desire to provide dependable electricity, pursued the subject a step further: "To provide this electricity, you must keep electricity coursing into the homes and to do that you must eliminate the hazards of interfering trees along the route of your lines."

There was another affirmative nod from the president. He knew from reports of his employees that the company's overhead lines—and they were in the majority—extended along community streets and moved along into residential areas where trees were in abundance. Service was often curtailed or ceased because of the hazards caused by swaying or breaking branches

*Professional writer, resident in Phoenix, Arizona. For additional note, see "Pages with the Editors."

falling on the power lines. This was not contributing toward good public relations. The company had attempted tree trimming, but it was not professional. The president had also noted, to his sorrow, some lack of good relations with the customer in this field. The professional tree trimmers, however, had the know-how and knew every angle of handling the customer. It would be a natural for the company, and the expense entailed would be far outweighed by the faith of the customer in the company.

THAT the professional tree-trimming companies have caught on and are performing yeoman work for the utilities coast to coast is putting it mildly. Utilities recognize the fact that the problem of line clearing exists, and they realize that this line clearing occurs often on a customer's property and to his favorite trees. Often the delicate relationship must be handled by persons gifted with tact and with a fund of experience in this art.

Even before the tree trimmers can proceed with their expert work on a customer's trees, a chain of good relations must have been developed. There is a visit to the home of the person involved. From long experience of analyzing the trees that must be trimmed, tied in with the type of home and the person to be dealt with, representatives of the tree-trimming companies can prepare themselves for their handling of the case. They never forget that they have not only their own organization to protect but that of the utility whom they represent. To leave a customer in a wrath would violate a trust placed in the tree-trimming representative.

Despite a kind approach and pleadings by the tree-trimming representative, the customer will often introduce a negative angle. The trees must not be touched for some sentimental reason. These objections must be countered with reasons of the general social good. Even compromises have been worked out whereby the utility will reroute a new line around some valuable trees.

Put kindly, the deathblow to the objections of the customer who refuses to have his trees trimmed is usually the statement that without trimming of the trees there will be no service. This generally produces results.

SKILLED in courtesy and in the art of convincing but honest argument, tree-trimming representatives must satisfy customers that the necessary pruning will not harm their property. Many customers envision large tree limbs plunging onto their roofs or plowing up their front lawns.

To the customer is explained the fact that today line clearing has become a highly skilled trade. Tree-trimming organizations and utilities are putting heads together to come up with tool combinations that will produce even faster work at a still lower cost in the future.

To the customer still not satisfied about the experience of the company in tree trimming, a short pitch on the substantial history of the outfit could be in order and often is. By 1930 the business of line clearing for utilities was catching on—a forerunner of the big business that it is today.

Tree trimming for utilities was not always the gilt-edged operation. In the early twenties anyone who even assisted a utility was stamped as evil. The utility people for the most part were interested in saving the trees for their public. The typical lineman's remark was, "The only good trim-

ming of a tree is six inches under the ground."

Out of a welter of confusion came a contract in 1928 between a prominent tree surgery company and a large utility. The tree-trimming outfit agreed to keep the utility's lines clear by districts. The property owners would first be contacted and a mutual agreement worked out about the number of trees that required clearing from the wires without suffering injury by the tree trimmers. Where low lines or abnormal cutting was involved the area was put into the lap of the utility for rebuilding or line change.

It was agreed that, owing to the large number of trees involved in the operation, the program should be developed on an all-year-round basis. This would prove the axiom of "an ounce of prevention is worth a pound of cure." The tree-trimming outfit insisted that the anticipated trimming was preferable to the actual approach of trouble.

So well planned was the program that other utilities fell into line—all requesting a similar program.

At a time when the entire country was in the throes of a deep depression, professional line clearing was flapping its wings and burgeoning into a thriving business. Utilities recognized the skilled work of these tree trimmers. They realized that line clearing was necessary and a headache. A pioneer line-clearing company, with employees who were trained in the art of climbing trees by using ropes, became a base of instruction to train other line-clearing climbers. Speed and accuracy were needed assets. Then, as now, the ease of movement of the climber speeded up the completed job. This resulted in a good job at a lower cost. The trained tree man with a brush trailer, a rope, and a saw, backed by a recognized tree company, had become a vital asset to the utilities during the depression days.

As with many other business operations, the tree-trimming organizations learned new methods. This constant addition of experience converted them into experts in this special field. For instance, in the early years they realized that small, hard-to-climb trees were stumbling blocks that could not be solved by either rope climbing or the unsafe use of spurs or ladders. The aggressive organizations worked out a revolving 40-foot ladder mounted on a truck. From the ladder the trimmer could use a pruner, but line-clearing companies discovered that a pruner does not make a cut that will heal properly.

Costs were increased the following year after this introduction, due to this pruner

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method, because the small stub left by the pruner also aroused more growth of three to four times as many suckers the following year. This suckering type of limb produces outages easier than a normal limb because of its long and whippy nature. It can wrap around the wires as well as grow back quicker into a danger spot.

WORLD WAR II clamped down on the expansion of the tree-trimming business. Utilities had to improvise and in many cases simply forget the business, much to their sorrow. The shaping of trees and the foundation pruning were forgotten because of lack of personnel.

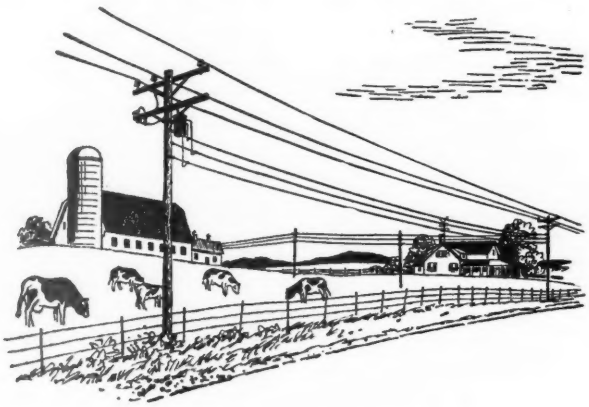
When Johnny came marching home after the war he found several years of tree growth that needed trimming. The need for line clearing became so pressing that it became a natural for any company that imagined that it was qualified to handle the job. The country was swamped with the floater type of tree man, who literally leaped from one job to another. By the time the late forties had rolled along, these tree quacks had almost uprooted the line-clearing business. A completely new public relations program was needed by the line-clearing companies, as well as by the utilities.

But the good companies continued to insist on quality line clearing. This insistence began to pay off and the public once again began to recognize the need for quality tree trimming. The carpetbag type of line clearers was ousted and the recognized line-clearing companies continued to prosper. One company alone employs 300 men throughout the western part of the country, working on power and telephone contracts in tree trimming. So well have the line-clearing companies performed their tasks that time and again contracts have been renewed with them by the utilities—which, in the final analysis, was the best test.

ALERT to any dangers that might bring disaster to the trade, officials of the line-clearing companies insist that the quality of the work can easily suffer when applied to all reachable trees and bring a headache of poor public relations. Work that can bear close scrutiny is the only kind of work that the outstanding line-clearing companies seek.

The men involved in tree-trimming operations for the big companies are highly skilled operators. One company maintains a 20-acre training ground where the tree trimmers learn a more advanced approach to the trade. Several months of experience are needed in learning to climb a tree by rope. There are no short cuts in this training, which in some cases resembles the old Army-style commando tactics. Young men are generally attracted to this difficult work. There are certain physical requirements for some companies. The recruit must weigh not less than 130 pounds and be not over six feet tall. The men are sent on long runs through woods, to harden them. Lectures on various rope knots are given. The men are shown how to lower branches via the rope route, how to send up tools in the shortest time. Although ladders will often be used later in their work, only muscle power, rope, and ingenuity are used at the training school.

One by one the young men are asked to scale a high tree with only the use of a rope. Then, taught how to secure ropes around themselves to enable them to move safely, they learn to walk a waving limb. In one company there is probably the most-



Where Tree Trimming Is Most Needed

"UTILITIES utilizing the tree-trimming companies most are in the well-developed rural and urban districts. The constant introduction of more shade and ornamental trees increases the need of more tree trimmers. As one company man put it, 'as the property owners appreciate their tree assets, our value increases to the utility.' That the line-clearing companies are performing herculean tasks in this tree-trimming utility field is evident. One company alone worked over 35,000 miles in trimming and retrimming 305,490 trees in one year."

climbed tree in the world. It is 32 feet to the first limb and all the recruits must have to conquer it before graduating.

Many of the recruits prove high-shy and it is often a problem to find them out. Alone, swaying in the wind, in the branches of a high tree, they turn green, but back on the ground their fright usually vanishes.

THE trainees, as well as the veteran workers, are taught to take special care when working in close proximity to energized wires or technical apparatus. Only insulated tools are used on these jobs.

One company in particular insists that every wire, whether telephone messenger or ground, be considered "hot." This method used in this company for twenty years of operations has resulted in only two cases of men being electrocuted.

THE tree trimmer, unlike other operators, does not work in all kinds of weather. Rain, snow, or extreme cold stop most of the work. Safety requirements bring on the surcease from work. This means that most of the work in the cold climes is seasonal.

Most of the line-clearing companies that

must work in trees that are close to or touching energized wires request that the lines be de-energized and grounded by the power company. The lines must be declared safe by a qualified power company employee before the tree trimmers are permitted to work in trees touching wires.

The climbers are ordered never to pass between wires unless authorized by the foreman and until rubber guards or blankets are placed on the wires by a properly authorized power company employee.

Often limbs may accidentally fall on wires. Climbers are taught to remove them by means of a dry rope slung over the branch or with a long-handled pruner equipped with a rope pull. The rope or pruner is then handled with rubber gloves.

From long practice and training, the climber, even before he leaves each day for his work, follows definite inspection rules. He checks his leather and fabric for cuts, cracks, tears; his stitching for breaks, ragged strands; his hardware, for breaks, cracks, or wear that might affect the strength of the equipment. The climber knows also how to sharpen his gaffs if he should at any time need to use them.

Safety rules are extremely important for the tree climber. The utility, usually anxious to promote safety for its employees, is happy about this care. For instance, tree pruning or other work in the crowns of the trees is performed only when weather conditions permit it. On a cold day branches are apt to snap off more easily than on a warm one. Automobiles standing under trees where overhead work is being done must be removed. Warning shouts are in evidence when a limb is to be lowered. Shouts of "timber," "heads up," or "look out below" are common to the trade. The trimmer should never cut a large limb which is above if it can be avoided. Avoided like death are dead limbs. Climbers never trust their weight on them.

Like the western cowboy in the movies, but with more at stake, the climber of a line-clearing company must know how to throw a rope which permits him to get safely into the tree.

In most companies 2- to 3-man crews handle the various jobs. The use of the new-type tools has slashed into the old-time 6- to 8-man crews. Light climbing crews can be outfitted for as low as $3,000, including transportation. An elaborate hydraulic lift truck that will carry a man 40 feet high will cost $15,000 per crew. This outfitting of a crew depends entirely upon the requirements of the job.

Equipment in the trade has become vastly improved. Power tools that make the job easier and less expensive are fairly common. Other tools on the drawing boards will revolutionize all tree work. Pneumatic pruners, saws, chippers, and continually improving chain saws are putting wings to the work.

If you wonder what it costs to clear a long line of trees, the line-clearing companies concede that this varies so greatly that only a minimum and maximum average can be given. This price depends also on the different size of the utilities involved and the varying tree population between districts. An average job could cost from a minimum of $100 to over a million dollars.

It is known that the power companies require more clearance work than the telephone companies, thereby upping the man-hours of work.

Certain parts of the country jack up the costs. For instance, the warmer the climate backed up by a longer growing season will make trees grow, particularly in the western parts of the country. However, in Arizona and the Imperial valley of California, where Tamarisk windbreaks and other poorer, inferior, but fast-growing trees abound, costs will be lower because many of these trees can be eliminated as weed trees.

Costs are lower in the cooler and shorter-growing areas of the country because the trees in general will hold for more than one year. The wet coastal valleys of the far West produce a quick growing undergrowth. This often tends to jump the lower-placed telephone lines' cost into the power lines' bracket.

UTILITIES utilizing the tree-trimming companies most are in the well-developed rural and urban districts. The constant introduction of more shade and ornamental trees increases the need of more tree trimmers. As one company man put it, "as the property owners appreciate their tree assets, our value increases to the utility."

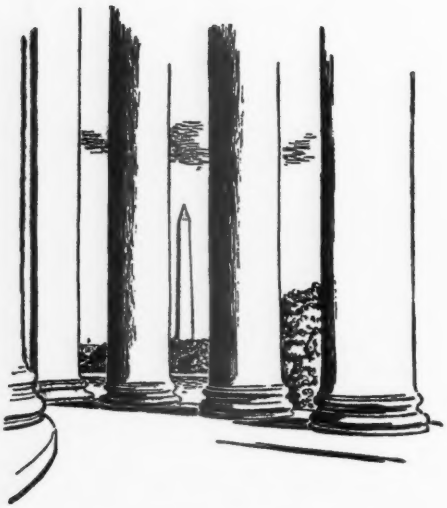
That the line-clearing companies are performing herculean tasks in this tree-trimming utility field is evident. One company alone worked over 35,000 miles in trimming and retrimming 305,490 trees in one year. This covered about fifteen power, telephone, and water companies on a yearly basis and many others on an individual job basis.

Surmounting all the work experience and tool know-how of the tree-trimming companies is the desire to keep the customer happy. Working constantly with trees, the tree trimmers realize the value attached to them by the public. They can understand how a person who has raised some beautiful trees from seedlings will balk at the approach of a tree trimmer anxious to trim the trees. They must be prepared to explain that this is a serious and necessary operation and that often instead of harm resulting to the trees the pruning proves beneficial to them. They often explain how in other areas a power line has been broken by the friction of a tree rubbing against the line. To the astonished customer they explain that a fire has resulted with far greater results than could be achieved by trimming the tree. Examples such as these win over the customer and the crew moves in soon after.

FROM all evidence it appears that the line-clearing companies are here to stay —to make the job easier for the utility and to even add beauty to our communities throughout the country. Working hand in hand with the utilities, the line-clearing organizations through their vast equipment improvements, rapid operations, and keen know-how prove that power and telephone lines, plus attractive lines of trees, are not a contradiction.

"THIS country is a living monument to the importance of change. Its greatness grew out of its founders' refusal to remain meek under colonial rule and on the unwillingness of each succeeding generation to believe it had reached the end of the march toward human betterment."

—JOHN HAY WHITNEY,
Corporation executive.



Washington and the Utilities

Atomic Bill Passes

It was a bitter battle to the last minute when the Senate on August 13th approved a motion to recommit the conference report on the atomic energy bill to the conference committee. Critics of the bill, mostly Democrats, decided to stake all their chances on this motion rather than a renewal of the filibustering which had delayed passage of the original bill. They were probably influenced in this by the resolute leadership of Senate Majority Leader Knowland (Republican, California), who said he would drive the Senate without quarter if the public power bloc renewed the talkathons which preceded Senate passage of the bill before conference.

An agreement to limit debate was accordingly reached and the final passage came only after a second House-Senate conference had made considerable concessions to the Senate's wishes.

In the process, however, there was considerable compromise. The original Cole-Hickenlooper Bill (HR 9757), which sought, among other things, to end the government monopoly on atomic energy and also generally to overhaul the basic Atomic Energy Act of 1946 (McMahon Act), was passed in different form by the House and Senate. A compromise was worked out in the joint Senate-House conference and this was accepted by voice vote in the House.

The compromised points included the following: (1) AEC could develop power at experimental nuclear power reactors and sell such energy with preference for public bodies; (2) other federal agencies, including power agencies, would be permitted to apply for atomic power development licenses; (3) AEC would be prohibited from directly reimbursing private power suppliers for their federal income tax; (4) AEC could buy power directly or indirectly from private companies for delivery over TVA's system; (5) compulsory licensing and sharing of peacetime atomic patents for five years; (6) elimination of the qualifying clause "in so far as practicable," which the first conference had added on to "preference" provisions and which, it was charged by Senate Democrats, appeared to give the AEC discretion in deciding to grant "preference" to public bodies in the sale of surplus energy from its experimental plants.

The conferees retained the Humphrey amendment providing for FPC regulation of interstate transmission of atomic power under the provisions of the Federal Power Act. Sections of the bill, relating to the licensing of nuclear power projects, were reworded to give the AEC authority to issue licenses to "persons applying for" such licenses to put all government agencies on an equal footing.

On the important subject of AEC development of atomic power plants, the commission will be restricted to experimental activity in atomic development of electric energy. Some of the Congressmen feel that AEC would have had this authority anyway, even if there were no bill passed. The original House version would have forbidden AEC to build and operate such plants for sale of power. The so-called Johnson amendment in the Senate version would have permitted AEC to build atomic power plants on a wholesale scale. They could compete with business-managed electric utilities, subject only to future congressional appropriations. The "experimental" limitation seemed to satisfy both sides, but there will be arguments in the future as to what it all means.

In other respects, the AEC conference leaned towards the Senate version. The amendment by Senator Gore (Democrat, Tennessee), prohibiting AEC from giving direct reimbursement to private companies for federal taxes paid on profits from contracts with the AEC, was retained.

The amendment by Senator Ferguson (Republican, Michigan), authorizing the AEC contract for the so-called Dixon-Yates power plant proposal, to be built at West Memphis, Arkansas — but subjecting future contracts of this kind to thirty days' inspection by the Joint Committee on Atomic Energy—was also retained.

One interesting modification was also worked out in conference on the "preference clause." The "preference clause" (in favor of public agencies, co-operatives, and utility companies, in that order) appears in respect to the sale by AEC of surplus power (which can be developed only incidental to AEC's own needs and experimental program).

Vogel Confirmed As TVA Boss

On August 11th the Senate confirmed without argument Brigadier General Herbert D. Vogel to a 9-year term on TVA's board of directors, following overwhelming (11 to 1) approval by the Senate Public Works Committee. The nomination had been expected to encounter opposition from Senators from the TVA area, not so much on account of the General's own background, but because of suspicion as to the administration's long-range intentions toward TVA. But the General's forthright testimony before the Senate committee apparently allayed any serious criticism and he emerged from the committee hearings with the actual support of TVA area Senators.

Vogel, slated to be chairman of TVA, said he did not consider TVA an example of "creeping Socialism," that he would defend the integrity of TVA service area, and would recommend TVA construction of steam plants "in accordance with the needs that may arise." He emphasized that needs and desires of the people in the Tennessee valley must be reassessed continually, that he believed "improvements can be made," and that he hopes to leave TVA better off than it is at present. He is opposed to the sale of TVA facilities to private interests.

The new TVA chairman starts off in a

setting of conflict arising from the controversial Dixon-Yates-AEC contract proposal supported by the administration. The other two TVA board members officially registered their opposition to the plan, under which the privately owned utility group in Arkansas would furnish power to TVA customers in the Memphis area.

In his testimony before the Senate committee, Vogel refused to commit himself on the wisdom of the contract. He did make it clear, however, that he regarded the Dixon-Yates contract as involving a "singular situation" which probably would not occur again. In general, he said, TVA should supply both AEC and its own regular power customers, but he stressed that each proposal should be studied on its merits.

Vogel can be expected to give new leadership to TVA more in conformity with administration power policy, notwithstanding any dissent from the two holdover directors.

FPC Clarifies Gas Rule

Two oil companies have challenged the legality of Federal Power Commission regulations governing independent producers of natural gas that flows in interstate commerce. The FPC issued the original regulations on July 16th (Order No. 174) as a result of the U. S. Supreme Court decision declaring that such producers are under the jurisdiction of the FPC in regard to service and rates.

The Magnolia Petroleum Company, Dallas, Texas, and the Ohio Oil Company, Findlay, Ohio, filed petitions with the FPC on August 11th asking for public hearings on the new regulations. The companies said the regulations are illegal because no public hearings were held by the FPC before they were issued and no formal notice was served on the independent producers involved.

The FPC had estimated that as many as 4,000 independent producers and gatherers of natural gas may be subject to its jurisdiction as a result of the Supreme Court decision which was handed down in the test case involving the Phillips Petroleum Company.

On August 6th the FPC handed down a clarifying order (No. 174-A), designed to simplify compliance procedures, according to FPC officials. The later order was released just as the Independent Petroleum Association of America made public an analysis questioning the legality of the original document.

Stating that simplified applications are available to producers proposing to engage in transportation or sale of natural gas in interstate commerce, as well as those already so operating on June 7th, the commission said:

> Where the established or new service by an independent producer will in the aggregate call for interstate sales of less than 1,000,000 Mcf of natural gas in interstate commerce annually, an original and five copies of the abbreviated application are required. Those producers whose annual sales in the aggregate amount to 1,000,000 Mcf, or more, of natural gas in interstate commerce annually must file a certificate application in only slightly greater detail, and are required to furnish fourteen copies in addition to the original.
>
> If the interstate operations were carried on at the time of the Supreme Court decision, June 7, 1954, the application must be filed by October 1, 1954, but if the service is proposed, the application must be filed and a certificate of public convenience and necessity issued prior to initiation of service.

Wire and Wireless Communication

Independents May Renew Fight For SEC Exemption

THE refusal of Congress to raise the present $300,000 stock issue exemption from SEC regulation apparently had little to do with the merits of arguments presented by spokesmen for the independent telephone industry. The United States Independent Telephone Association urged a boost in the exemption to $600,000, and the SEC itself was in favor of increasing the exemption. The cost of red tape in registering small security issues was the main argument. This cost includes the preparation of special audits, the use of outside accounting, legal and other professional services in preparing registration statements, together with printing and other miscellaneous expenses.

The Senate Banking and Currency Committee was sympathetic to the case presented by the independents and reported out a bill raising the exemption to $500,000. The bill passed the Senate but ran into a snag in the House committee. The final upshot was a bill, signed last month by the President, leaving the exemption at $300,000.

The deciding factor appeared to be that there were too many people seeking a boost in the exemption who could not make as good a case as the small phone companies. The exemption applies to all business securities, regulated and unregulated. Although it had already been demonstrated that in the case of telephone companies and other utilities, the investor is already protected by state commission regulation in all but a handful of states, there was some fear in Congress that certain groups, among them the promoters of penny stocks, would have a field day with the exemption raised to $500,000.

AN analysis of penny stock operations which recently appeared in a business column in *The Washington Post-Times Herald* tends to support whatever fears Congress may have had about the matter. J. A. Livingston, author of the column, reported the findings of a study he had made of what happened to 50 penny stocks sold to the public a year ago. These are the stocks that sell for 10 cents, 15 cents, and 50 cents in issues of $300,000 or less. The study showed that out of the 50 stocks only one out of seven showed a profit. Thirteen of them went down and of the remaining 30, no market could be found.

Describing the operations of penny promoters of uranium mining stocks, Livingston wrote:

The promoters would usually ask . . .

for only $300,000 so as not to have to issue a prospectus. But the company doesn't get the $300,000. The brokers get a commission plus selling expenses. This usually takes 15 per cent to 25 per cent. So the company nets from $225,000 to $255,000. Modern mining costs being what they are, that's like going into the casino at Monte Carlo with a $10 bill and trying to run it up to a million. It's hardly enough to do an adequate exploration job to pick a decent mining site.

"That's not the worst," Livingston continued. "The promoters usually take a big block of stock themselves for organizing the company—50 per cent, 60 per cent. So, even if the mine succeeds, the cream goes to the insiders. The stock buyer gets only a small portion of the company for his money."

It is reasonable to suppose that for such reasons, Congress was reluctant to grant a blanket exemption from SEC regulation up to $500,000. Witnesses before the House and Senate committees amply demonstrated the hardship worked on small telephone companies which find it difficult to afford the costs of SEC registration. The industry's experience this year, however, may suggest an independent approach to the problem at the next session of Congress, with recommendations for a raise in the exemption to apply specifically to regulated utilities.

New York Telephone Company Turned Down

THE New York Telephone Company may plan to push its fight for a 10 per cent rate increase despite a denial of its application for a $69,000,000 boost by the state public service commission. The company's president, Keith S. McHugh, said the denial of the increase was "bad news—as bad for telephone users as for the company," because the company must have more revenue "to continue giving good telephone service, the kind the public wants." Possible moves now open to the company include a request for a rehearing by the commission, an appeal to the courts on grounds that present rates are confiscatory, or the filing of a new application which would open a new rate case before the commission.

THE commission held unanimously that the company's present earnings were sufficient. As of June 30th, the company had earned 5.91 per cent on invested capital. Although the commission acknowledged that this figure was slightly below the 6 per cent to which two experts, representing the commission and the federal government, testified the company was entitled, it observed in its opinion that no rate reduction had been required when the company's return exceeded 6 per cent. The commission said there is no reason to change the statewide rate structure of the company when the return falls slightly below 6 per cent. "It is not possible to fix rates with any such nicety," the commission declared.

The company had asked for increases of 75 cents a month for most home telephone service; $2 a month on business telephones; higher charges on toll service and on messages in excess of the seventy-five allowed in the present minimum monthly charge and for miscellaneous services. It had estimated that it would receive additional revenue of $68,850,000 from the proposed increases calculated to yield a return ranging between 8 per cent and 9.66 per cent. Financial experts engaged by the company told the commission the company was entitled to such a return if it was to maintain a strong credit position and attract investment capital on the scale required.

Financial News and Comment

BY OWEN ELY

A Bearish View on Utility Stocks

TRUSLOW HYDE, partner of Josephthal & Co. and well-known utility analyst, has again turned bearish on utility stocks, as he has on one or two past occasions. In an August 12th bulletin headed "Utility Stocks Are Reaching a Peak," Mr. Hyde concludes that "by any standard, utility stocks are too high and, in our opinion, entail market risks that are not justified by either present or prospective earnings and dividends or by possible further appreciation possibilities."

Moody's average of electric utility stocks, he points out, is now selling at 16.5 times earnings and returns a yield of only 4.55 per cent. Since the lows of June, 1953, the prices of utility stocks have advanced 34 per cent, while dividends gained only 6.5 per cent and earnings 1.4 per cent. Utility stocks are also selling about 70 per cent above their book values (based on the Moody average), he stated.

WHILE there is some logic in Mr. Hyde's argument, we feel that he may not have given adequate weight to the following points:

(1) The advance in utility stocks has not been greatly out of line with the gains in high-grade industrial stocks, as measured by the yardstick of average yield. Recent yield comparisons are shown in the table at the bottom of page 272.

(2) Price-earnings ratios are harder to obtain on an up-to-date basis for both industrial and utility averages, but it may be noted that the ratio for *Barron's* 50-stock average based on projected quarterly and annual earnings on August 12th was 12.5 compared with 9.1 in June a year ago, an increase of 37 per cent. (The *Barron's* 50-stock average consists principally of industrials and contains only three electric utility stocks.) This compares with an increase of only about 26 per cent for the electric utility stocks in the Moody average.

(3) While one of the major influences in the market advance in the past fourteen months has been the decline in money

DEPARTMENT INDEX

rates and the rise in bond prices, there have been other factors at work, such as favorable tax legislation. Public utilities are no longer subject to continuous adverse pressure and propaganda from Washington, and many of the state commissions are also showing a more liberal and enlightened regulatory attitude. The threat of expanding public power which formerly hung over the electric utility industry, while it has not entirely disappeared, has been greatly lessened.

(4) In the past, many large electric utility systems have had to issue large amounts of common stock in connection with construction financing. With reserve power capacity now increased to around 18 or 20 per cent, there is no longer the same urgency to expedite construction programs and effect the corresponding financing. While the utilities will continue to add new capacity during 1954-56 because of orders already placed for generators, etc., the program can now be permitted to taper off somewhat. This means that the frequent dilutions of common stock earnings will now be reduced.

FOR these various reasons, it seems clear why utility stocks have shared in the bull market, and perhaps have slightly exceeded the showing made by the industrial blue chips. It is possible that the move has been overdone to some extent, and September is usually a critical month for any necessary market readjustments. However, in our opinion yields on utility common stocks still remain fairly well in line with utility bond yields—in the 1929 speculative orgy they were far lower.

	Aug. 13, 1954	*June, 1953*	*Per Cent Decrease*
Dow-Jones Average—30 Industrials ..	4.80%	5.99%	20%
Dow-Jones Average—15 Utilities	4.25	5.74	26
Industrial Bonds	2.83	3.36	16
Utility Bonds	2.90	3.56	19

Tax Savings for Regulated Utility Holding Companies

RECENTLY enacted tax legislation has eliminated the 2 per cent penalty formerly imposed on regulated utility holding companies in connection with the filing of consolidated system income tax returns. In other words, the current tax rate for such systems will now be reduced from 54 per cent to 52 per cent, conforming to the regular corporate rate. Resulting savings, based on recent interim statements of twelve months' federal income tax payments, are estimated as follows:

	Amount (000)	*Amt. Per Share of Com. Stk.*
American Gas & Electric .	$825	7¢
Central & South West ...	571	6
General Public Utilities ..	850	9
Middle South Utilities ...	446	6
New Eng. Electric System	278	3
New Eng. Gas & Electric	129	6
Southern Company	873	5
Texas Utilities	847	14
West Penn Electric	628	15

Utility Rates and Kilowatt-hour Usage

THE chart on page 275 is reproduced from two separate graphs in the 1953 "Statistical Bulletin" of the Edison Electric Institute, covering the operations of the entire electric utility industry in the United States. The top chart shows the average revenue per kilowatt-hour and the average annual usage for all ultimate customers (residential, commercial, industrial, etc.); the lower chart presents the same data for residential customers only.

The average rate for domestic customers has continued to decline steadily throughout the entire period 1926-53 despite the inflationary rise in wages and commodity prices. This decline continues currently, the *EEI Bulletin* for July indicating that residential kilowatt-hour revenue for the twelve months ended April 30th was 2.72 cents compared with 2.76 cents in the previous period, a decline of 1.5 per cent, while annual residential usage was 2,415 kilowatt-hours, a gain of 8.5 per cent over the 2,226 kilowatt-hours of the earlier period.

In the postwar period average residential revenue per kilowatt-hour has dropped from 3.41 cents in 1945 to 2.74 cents in 1953, and the average rate for small light and power customers (principally commercial) declined from 2.79 cents to 2.52 cents. On the other hand the average unit revenue from large light and power customers has increased from .93 cents to 1 cent. Street-lighting rates have declined slightly, but rates for other public authorities and for railroads increased. The net result has been an increase in the average for total ultimate consumers from 1.73 cents to 1.77 cents. It appears likely that in 1954 the average kilowatt-hour revenue for large light and power customers will show an upturn, since payments under the demand component of industrial rate schedules, particularly in the steel industry, have probably been fairly heavy in relation to the amount of current used.

In the future, it may be conjectured, the utilities may have to make greater use of demand charges in connection with the use of heavy residential appliances. This might tend to check the downward trend of the residential rate index, which is already slowing.

Fifteen-year Decline in Rate of Electric Utility Profit Margins

IN the past fifteen years the ratio of operating income to revenues (for electric operations of all investor-owned utilities) has shown a sharp decline. As shown in the table on page 274, the ratio has declined from 34.9 per cent in 1939 to 21.1 per cent in 1953. In other words, much of the huge growth during the 15-year period has failed to benefit security holders. The figures were derived from Table 40 in the newly published 1953 "Statistical Bulletin" of the Edison Electric Institute.

The Federal Power Commission has not yet published its statistical "blue book" for 1953, but the previous edition

CURRENT YIELD YARDSTICKS

	*Aug. 12 1954**	*1954 Range*		*1953 Range*	
		High	*Low*	*High*	*Low*
U. S. Long-term Bonds—Taxable	2.45%	2.70%	2.41%	3.15%	2.70%
Utility Bonds—Aaa	2.89	3.13	2.86	3.43	3.01
Aa	2.97	3.19	2.92	3.59	3.07
A	3.14	3.37	3.14	3.72	3.23
Baa	3.47	3.72	3.48	3.94	3.50
Utility Preferred Stocks—High-grade	3.95	4.09	3.89	4.45	4.01
Medium-grade	4.24	4.51	4.25	4.87	4.43
Electric Utility Common Stocks	4.59	5.23	4.55	5.72	5.01

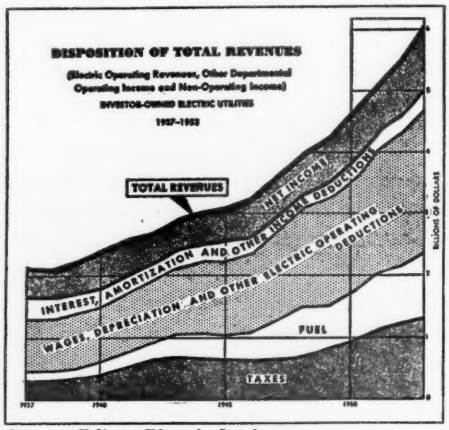
* Approximate date.

Latest available Moody indices are used for utility bonds and stocks; Standard & Poor's indices for government bonds.

indicates that total operating income (including gas and miscellaneous operations) in relation to average net utility investment declined from 6.9 per cent in 1945 to 5.6 per cent in 1951, with a slight recovery to 5.8 per cent in 1952.

The estimated ratio for 1953 (for electric operations only) remained at 5.8 per cent. Available figures for the first five months of 1954 do not seem to indicate any improvement in this picture. In 1954 net electric utility plant has been increasing at the rate of over 11 per cent, while net operating income (with May estimated) has gained only about 9-10 per cent.

During the period 1939-53 there was virtually no net increase in the fixed charges of electric utilities. Normally, stockholders should have received the benefit of this saving, which resulted from lower money rates, since they have to carry the load when charges increase faster than revenues. It would appear, however, that regulatory authorities had passed on this saving to consumers, at least in substantial degree—although it should have been used to offset the increase in expenses due to inflation. The accompanying chart reproduced from the EEI bulletin illustrates the disposition of revenues during 1937-53.



Source, Edison Electric Institute

Securities Acts Amended

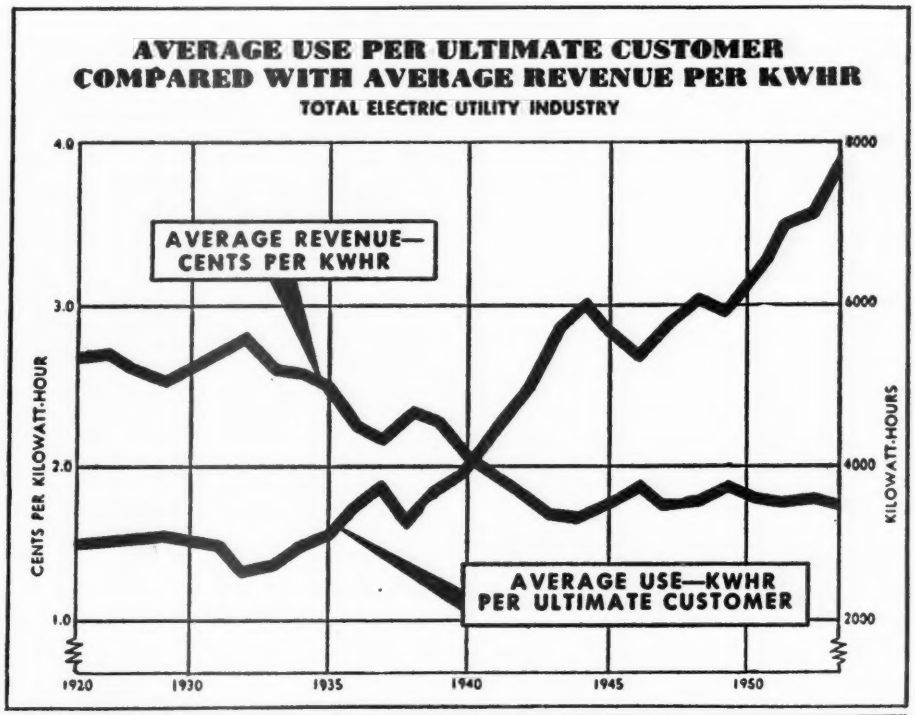
AFTER thirteen years, during which many efforts have been made to amend the federal securities acts administered by the SEC, the administration bill (S 2846) was unanimously passed by

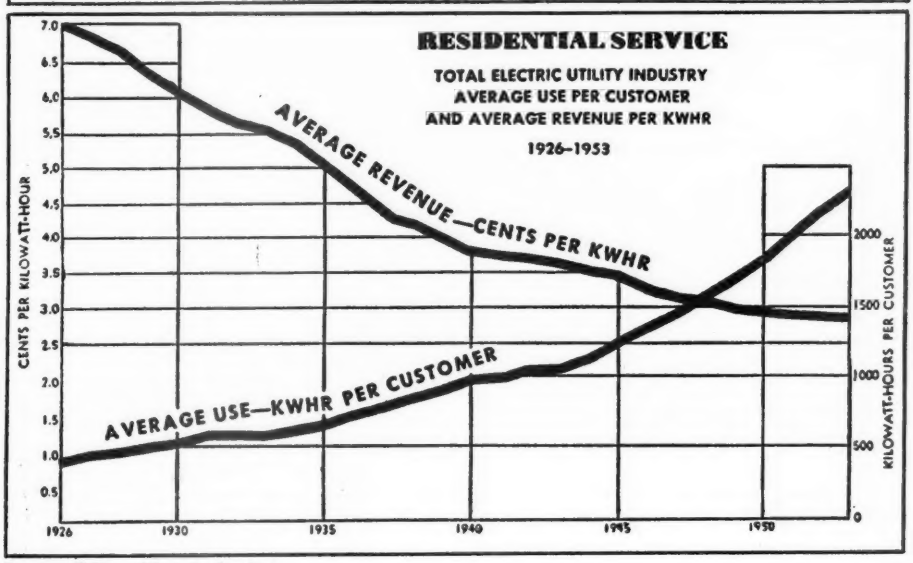
(*Continued, page 277*)

ELECTRIC OPERATING INCOME AS PERCENTAGE OF REVENUES FOR ALL INVESTOR-OWNED UTILITIES

Years	*Electric Rev.* (Mill.)*	*Elec. Oper. Inc. (Mill.)*	*Ratio of Oper. Inc. To Rev.*
1953	$5,914	$1,247	21.1%
1952	5,426	1,112	20.5
1951	5,005	980	19.6
1950	4,510	966	21.4
1949	4,113	900	21.9
1948	3,886	791	20.4
1947	3,480	776	22.3
1946	3,127	774	24.8
1945	3,012	779	25.9
1944	2,955	734	24.8
1943	2,816	702	24.9
1942	2,609	688	26.4
1941	2,467	721	29.2
1940	2,277	750	32.9
1939	2,148	749	34.9

* Intercompany revenues eliminated.





Source, Edison Electric Institute

JULY UTILITY FINANCING

PRINCIPAL PUBLIC OFFERINGS OF ELECTRIC AND GAS UTILITY SECURITIES

Date	Amount	Description	Price To Public	Underwriting Spread	Offering Yield	Moody Rating	Indicated Success of Offering
		Mortgage Bonds and Debentures					
7/8	$20.0	Southwestern P. S. 1st 3.20s, 1979	100.00	.70N	3.20%	A	c
7/14	7.5	Missouri P. & L. 1st 3¼s, 1984	102.25	.60C	3.13	A	d
7/14	25.0	Northern Natural Gas Deb. s.f. 3¼s, 1974	100.50	.70N	3.22	A	a
7/14	10.0	United Gas Improvement 1st 3¼s, 1979	101.72	.70C	3.15	A	a
7/15	40.0	Peoples Gas Light & Coke 1st 3¼s, 1979	100.86	.58C	3.20	A	a
7/21	30.0	Colo. Interstate Gas 1st s.f. 3.35s, 1974	100.00	.85N	3.35	A	a
7/21	40.0	Consolidated Gas E. L. & P. 1st 3s, 1989	100.65	.52C	2.97	Aaa	a
7/27	18.0	Boston Edison 1st 3s, 1984	101.19	.47C	2.94	Aaa	a
7/28	25.0	Cons. Natural Gas Deb. s.f. 3s, 1978 ..	100.86	.56C	2.95	Aaa	c
		Preferred Stocks					
7/1	5.0	Florida Power & Light 4.32% ($100 par)	102	1.88C	4.24	—	a
7/8	2.0	Southwestern Pub. Ser. 4.36% ($25 par)	25	.50N	4.36	—	b
7/14	7.5	Public Service of N. H. 4.50% ($100 par)	100	1.69N	4.50	—	a
7/21	11.0	Colorado Interstate Gas 5% ($100 par)	100	2.50N	5.00	—	a
						Earnings-Price Ratio	
		Common Stocks—Subscription Rights					
7/1	2.4	Eastern Utilities Associates	29	e	6.90	8.5	f
7/8	13.6	Long Island Lighting	19.75	.19N	5.06	6.5	g
		Common Stocks—Offered to Public					
7/1	11.5	Florida Power & Light	47	1.16C	3.83	7.1	a

a—Reported well received. b—Reported fairly well received. c—Reported issue sold somewhat slowly. d—Reported issue sold slowly. e—Not underwritten. f—Oversubscription privilege and dealer compensation. Ninety-two per cent subscription and 74 per cent oversubscription (total 166 per cent). g—Ninety-eight per cent subscribed. In addition to this issue 64,685 shares were offered to employees, with a 48 per cent subscription.

JULY NEW MONEY FINANCING
(In Millions)

	Offered to Stockholders	Sold to Public	Sold Privately	Total Financing
Electric Companies				
Bonds	—	$ 37	—	$ 37
Preferred Stock	—	9	$ 1	10
Common Stock	$17	11	—	28
Total	$17	$ 57	$ 1	$ 75
Gas Companies				
Bonds	—	$ 65	$32	$ 97
Preferred Stock	—	10	1	11
Common Stock	—	—	—	—
Total	—	$ 75	$33	$108
Total Electric and Gas	$17	$132	$34	$183

Refunding operations were relatively heavy, as follows (in millions):

	Bonds	Preferred Stock	Total
Electric Companies	$ 49	$10	$ 59
Gas Companies	71	—	71
Total	$120	$10	$130

Source, Irving Trust Company.

both the Senate and the House and signed by the President. The new act represented a year's active work by the Senate Banking and Currency Committee, the House Interstate and Foreign Commerce Committee, and the Securities and Exchange Commission. The new law will permit the following changes as to new offerings:

(1) The offering prospectus, especially the short-term summary, can now be used during the waiting period (normally twenty days) after it has been filed with the SEC but before it becomes effective. The preliminary prospectus can now be made available to investors, it is understood, during the waiting period so that they will have more time to study the issue.

(2) The law permits greater use of newspaper advertisements during the waiting period, which should aid in the nation-wide distribution of securities.

(3) The requirement of the old law which kept a prospectus in force for a year after the offering date was assumed by many brokers to mean that they must mail a copy of the prospectus to each purchaser of the security during the year's time, even though the purchase merely reflected a regular brokerage transaction and did not constitute part of the original offering. The time has now been reduced to forty days.

(4) The law will simplify the information required in a prospectus used in an offering that lasts more than thirteen months, and will simplify the registration of securities of investment companies.

(5) It reduces from six months to thirty days after distribution of a new issue has been completed, the time when a dealer can extend a customer credit on the new securities.

(6) It will clarify the rule-making authority of the SEC with respect to "when issued" trading.

(7) It will simplify the bond prospectus by making it unnecessary to summarize certain trust indenture provisions.

DATA ON ELECTRIC UTILITY STOCKS

1953 Rev. (Mill.)			*8/11/54 Price About*	*Div. Rate*	*Current Yield*	*Share Earnings* Cur. Period*	*% Increase*	*12 Mos. Ended*	*Price-Earns. Ratio*	*Dividend Pay-out*	*Moody Bond Rating*
$223	S	American Gas & Elec.	37	$1.64#	4.4%	$2.36**	D7%	June	15.7	69%	—
31	O	Arizona Public Service	21	.90	4.3	1.43	29	June	14.7	63	—
8	O	Arkansas Mo. Power	23	1.12	4.9	1.58	D12	Mar.	14.6	71	—
25	S	Atlantic City Elec.	36	1.50b	4.2	1.94	18	June	18.6	77	Aa
5	O	Bangor Hydro-Elec.	32	1.80	5.6	2.22	23	June	14.4	81	—
4	O	Black Hills P. & L.	24	1.28	5.3	2.06	19	Apr.	11.7	62	—
82	S	Boston Edison	56	2.80	5.0	2.96	D1	Dec.	18.9	95	Aaa
18	A	Calif. Elec. Power	12	.60	5.0	.88	7	Mar.	13.6	68	A
14	O	Calif. Oregon Pr.	30	1.60	5.3	1.60	19	May	18.8	100	A
6	O	Cal-Pacific Utilities	27	1.40	5.2	2.10**	3	June	12.8	67	—
52	S	Carolina P. & L.	24	1.00	4.2	1.56	6	June	15.4	64	A
21	S	Central Hudson G. & E. ...	15	.70	4.7	.97	15	June	15.5	72	—
15	O	Central Ill. E. & G.	31	1.60	5.2	1.99	D6	Mar.	15.6	80	A
29	S	Central Ill. Light	46	2.20	4.8	2.88	D1	June	16.0	76	Aa
40	S	Central Ill. P. S.	23	1.20	5.2	1.62	19	June	14.2	74	A
9	O	Cent. Louisiana Elec.	26	1.20	4.6	1.53	3	Mar.	17.0	78	Baa
27	O	Central Maine Power	22	1.20	5.5	1.79	33	June	12.3	67	A
96	S	Central & South West	26	1.16	4.5	1.74	10	June	14.9	67	—
9	O	Central Vermont P. S.	16	.84	5.3	.99	7	June	16.2	85	A
89	S	Cincinnati G. & E.	25	1.00#	4.0	1.57	10	Mar.	15.9	64	Aaa
5	O	Citizens Utilities	18	.48a	5.7a	1.02	11	Mar.	17.6	47	Ba
91	S	Cleveland Elec. Illum.	64	2.60	4.1	4.10	15	Mar.	15.6	63	Aaa
3	O	Colorado Cent. Power	24	1.20	5.0	1.62	17	June	14.8	74	—
32	S	Columbus & S. O. E.	30	1.60	5.3	2.04	—	June	14.7	78	A
329	S	Commonwealth Edison	44	1.80c	4.1	2.38	3	June	18.5	76	Aaa
10	A	Community Pub. Service ..	22	1.00#	4.6	1.57	2	June	14.0	64	—

1953 Rev. (Mill.)		(Continued)	8/11/54 Price About	Div. Rate	Current Yield	Share Earnings* Cur. Period	% Increase	12 Mos. Ended	Price-Earns. Ratio	Dividend Payout	Moody Bond Rating
1	O	Concord Electric	37	2.40	6.5	2.48	31	Dec.	14.9	97	—
55	O	Connecticut L. & P.	18	.94	5.2	1.20	23	June	15.0	78	Aaa
18	O	Connecticut Power	45	2.25	5.0	2.31	D4	Mar.	19.5	97	Aaa
454	S	Consol. Edison	46	2.40	5.2	2.86	D4	June	16.1	84	Aa
98	S	Consol. Gas of Balt.	31	1.40	4.5	1.69	D15	June	18.3	83	Aaa
158	S	Consumers Power	48	2.20	4.6	3.02	20	June	15.9	73	Aa
57	S	Dayton P. & L.	44	2.00	4.5	2.88	9	Mar.	15.3	69	Aa
28	S	Delaware P. & L.	33	1.40	4.2	1.99	18	June	16.6	70	Aa
192	S	Detroit Edison	34	1.60	4.7	1.94	3	June	17.5	82	Aa
107	A	Duke Power	49	1.85	3.8	3.18	21	Mar.	15.4	58	Aaa
82	S	Duquesne Light	34	1.72	5.1	2.30	8	June	14.8	75	Aaa
27	O	Eastern Util. Assoc.	33	2.00	6.1	2.37	D10	June	13.9	84	—
2	O	Edison Sault Elec.	11	.50	4.5	.92	42	June	12.0	54	—
9	O	El Paso Elec.	35	1.60	4.6	2.17	18	June	16.1	74	A
10	S	Empire Dist. Elec.	26	1.40	5.4	2.11	D2	June	12.3	66	Baa
4	O	Fitchburg G. & E.	51	3.00	5.9	2.80	D7	Dec.	18.2	107	—
32	S	Florida Power Corp.	36	1.50	4.2	2.10	19	June	17.1	71	A
70	S	Florida P. & L.	49	1.80	3.7	3.41	18	June	14.4	53	A
156	S	General Pub. Util.	34	1.70	5.0	2.37	21	Mar.	14.3	72	—
5	O	Green Mt. Power	28	1.50	5.4	1.85	3	June	15.1	81	Ba
43	S	Gulf States Util.	34	1.40	4.1	1.88	16	June	18.1	74	Aa
21	A	Hartford E. L.	59	2.75	4.7	3.34	12	June	17.7	82	Aaa
5	O	Haverhill Elec.	45	2.50†	5.6	2.99	10	Dec.	15.1	84	—
53	S	Houston L. & P.	39	1.20	3.1	2.04	15	June	19.1	59	Aa
7	O	Housatonic P. S.	24	1.40	5.8	1.47	11	Dec.	16.3	95	—
22	S	Idaho Power	56	2.20	3.9	3.43	8	June	16.3	64	Aa
62	S	Illinois Power	50	2.20	4.4	2.72	D3	June	18.4	81	A
35	S	Indianapolis P. & L.	24	1.10	4.6	1.61	5	June	14.9	68	A
17	S	Interstate Power	13	.70	5.4	.93	1	June	14.0	75	A
23	O	Iowa Elec. L. & P.	24	1.20	5.0	1.67	6	June	14.4	72	—
28	S	Iowa-Ill. G. & E.	34	1.80	5.3	2.04	D15	June	16.7	88	Aa
29	S	Iowa Power & Light	27	1.40	5.2	1.91	5	Mar.	14.1	73	Aa
25	O	Iowa Pub. Service	28	1.40	5.0	1.96	17	June	14.3	71	A
11	O	Iowa Southern Util.	22	1.20	5.5	1.43	D11	June	15.4	84	Baa
46	S	Kansas City P. & L.	38	1.80	4.7	2.11	2	June	18.0	85	Aaa
22	O	Kansas Gas & Elec.	47	2.00	4.3	3.55	16	June	13.2	56	A
34	S	Kansas Pr. & Lt.	22	1.12	5.1	1.44	5	June	15.3	78	Aa
31	O	Kentucky Utilities	25	1.12	4.5	1.89	15	June	13.2	59	A
6	O	Lake Superior D. P.	36	2.00	5.6	2.83	10	Mar.	12.7	71	A
5	O	Lawrence Electric	27	1.40†	5.2	1.87	18	Dec.	14.4	75	Aa
67	S	Long Island Lighting	22	1.00	4.5	1.27	18	June	17.3	79	A
39	S	Louisville G. & E.	47	1.80	3.8	3.20	—	June	14.7	56	Aa
7	O	Lowell Elec. Lt.	57	3.50†	6.1	3.74	3	Dec.	15.2	94	—
8	O	Lynn G. & E.	31	1.60	5.2	2.14	14	Dec.	14.5	75	Aa
7	O	Madison G. & E.	39	1.60	4.1	3.13	16	Dec.	12.5	51	Aa
3	A	Maine Public Service	27	1.40	5.2	1.77	8	June	15.3	79	Baa
5	O	Michigan G. & E.	37	1.35#	6.6a	2.79	D7	Mar.	13.3	48	Baa
127	S	Middle South Util.	31	1.40	4.5	1.96	9	June	15.8	71	—
20	S	Minnesota P. & L.	24	1.20	5.0	1.83	D3	June	13.1	66	A
2	O	Miss. Valley P. S.	25	1.40	5.6	2.24	6	July	11.2	63	—
9	A	Missouri P. S.	37	1.80	4.9	2.77†	na	June	13.4†	65†	—
5	O	Missouri Utilities	22	1.00	4.6	1.79	10	June	12.3	56	—
31	S	Montana Power	36	1.60	4.4	2.63	D7	June	13.7	61	Aa
118	S	New England Elec.	16	.90	5.6	1.25	10	June	12.8	72	Baa
38	O	New England G. & E.	17	1.00	5.9	1.33**	D8	June	12.7	75	Baa
41	O	New Orleans P. S.	45	2.25	5.0	2.92	3	June	15.4	77	A
2	O	Newport Electric	38	2.00	5.3	2.65	D18	June	14.3	75	—
68	S	N. Y. State E. & G.	42	2.00	4.8	2.69	18	June	15.6	74	A
204	S	Niagara Mohawk Power	32	1.60	5.0	2.04	2	June	15.7	78	Aa
63	O	Northern Ind. P. S.	32	1.60	5.0	2.27	6	June	14.1	70	A
110	S	Northern States Pr.	16	.80	5.0	1.03	5	June	15.5	78	Aa
8	O	Northwestern P. S.	17	.90	5.3	1.22	D13	June	13.9	74	A
109	S	Ohio Edison	44	2.20	5.0	2.91	10	June	15.2	76	Aa
35	S	Oklahoma G. & E.	32	1.50	4.7	1.80	D7	June	17.8	83	A
14	O	Otter Tail Power	28	1.50	5.4	2.07	D12	June	13.5	72	—

1953 Rev. (Mill.)		(Continued)	8/11/54 Price About	Div. Rate	Cur. rent Yield	Share Earnings* Cur. Period	% In- crease	12 Mos. Ended	Price- Earns. Ratio	Divi- dend Pay- out	Moody Bond Rating
364	S	Pacific G. & E.	45	2.20	4.9	2.72	27	Mar.	16.5	81	Aa
22	O	Pacific P. & L.	24	1.20	5.0	1.62	NC	May	14.8	74	Baa
106	S	Penn Power & Light	44	2.40	5.5	2.81	25	June	15.7	85	A
8	A	Penn. Water & Power	48	2.00	4.2	2.13	D8	Dec.	22.5	94	A
187	S	Phila. Elec.	38	1.80	4.7	2.41	5	June	15.8	75	Aaa
27	O	Portland Gen. Elec.	20	1.00	5.0	1.35	3	June	14.8	74	Baa
50	S	Potomac Elec. Pr.	19	1.00	5.3	1.18	6	June	16.1	85	Aa
56	S	Pub. Serv. of Colo.	43	1.60	3.7	2.36	1	June	18.2	68	Aa
230	S	Pub. Serv. E. & G.	28	1.60	5.7	1.86**	D12	June	15.1	86	Aa
59	S	Public Serv. of Ind.	43	2.00	4.7	2.34	5	June	18.4	85	Aa
21	O	Public Serv. of N. H.	16	.90	5.6	1.00	D3	June	16.0	90	A
8	O	Public Serv. of N. M.	14	.68	4.9	.73	D12	Mar.	19.2	93	—
20	O	Puget Sound P. & L.	32	1.64	5.1	1.90	20	June	16.8	86	Baa
46	S	Rochester G. & E.	46	2.24	4.9	3.16	D4	June	14.6	71	A
12	O	Rockland L. & P.	17	.60	3.5	.68	D4	Dec.	25.0	88	A
7	S	St. Joseph L. & P.	23	1.20	5.2	1.72	7	June	13.4	70	A
36	S	San Diego G. & E.	16	.80	5.0	1.31	16	June	12.2	61	Aa
7	O	Sierra Pacific Pr.	36	2.00	5.6	2.43	D17	June	14.8	82	Baa
140	S	So. Calif. Edison	45	2.00	4.4	2.65	10	June	17.0	75	Aa
29	S	So. Carolina E. & G.	17	.80	4.7	1.23	58	May	13.8	65	Baa
5	O	Southern Colo. Pr.	15	.70	4.7	1.23	18	May	12.2	57	—
180	S	Southern Company	19	.80	4.2	1.22	6	May	15.6	66	—
13	S	So. Indiana G. & E.	28	1.50	5.4	2.03	14	June	13.8	74	Aa
3	O	So. Nevada Power	15	.80	5.3	1.39	NC	Mar.	10.8	58	—
1	O	Southern Utah Power	15	1.00	6.7	.87	D38	June	17.2	115	—
3	O	Southwestern E. S.	20	1.00	5.0	1.52	8	May	13.2	66	—
31	S	Southwestern P. S.	28	1.32	4.7	1.69	17	June	16.6	78	A
17	A	Tampa Elec.	60	2.80	4.7	3.70	4	June	16.2	76	Aa
109	S	Texas Utilities	56	2.08	3.7	3.39	12	June	16.5	61	Aa
34	S	Toledo Edison	15	.70	4.7	.94	2	June	16.0	74	A
10	O	Tucson G. E. L. & P.	22	.92	4.2	1.48	8	June	14.9	62	—
103	S	Union Elec. of Mo.	27	1.20	4.4	1.42	14	Mar.	19.0	85	Aa
27	O	United Illuminating	49	2.40†	4.9	2.89	6	Dec.	16.9	83	—
2	O	Upper Peninsula Pr.	23	1.20	5.2	2.46	136	June	9.3	49	Baa
30	S	Utah Power & Light	39	2.00	5.1	2.48	2	June	15.7	81	A
84	S	Virginia E. & P.	31	1.40	4.5	2.02	22	June	15.3	69	Aa
22	S	Washington Water Pr.	32	1.60	5.0	1.84	6	June	17.4	87	A
115	S	West Penn Elec.	45	2.20	4.9	3.48	3	June	12.9	63	—
62	O	West Penn Power	45	2.10†	4.7	2.71	8	June	16.6	77	Aa
9	O	Western Lt. & Tel.	29	1.60	5.5	2.24	D5	June	12.9	71	A
22	O	Western Mass. Cos.	38	2.00	5.3	2.73	12	June	13.9	73	—
84	S	Wisconsin Elec. Pr.	33	1.50	4.5	2.03	—	Mar.	16.3	74	Aa
32	O	Wisconsin P. & L.	25	1.28	5.1	1.75	19	Mar.	14.3	73	A
30	S	Wisconsin Pub. Ser.	21	1.10	5.2	1.44	5	June	14.6	76	A
		Averages			4.9%				15.4	74%	A
		Foreign Companies									
$219	S	American & Foreign Pr.	12	$ .60	5.0%	$2.28	2%	Mar.	5.3	26%	—
116	A	Brazilian Trac. L. & P.	8	1.00	12.5	1.40	D53	Dec.	5.7	71	—
56	A	British Columbia Pr.	24	1.00	4.2	1.47	15	Dec.	16.3	68	—
15	A	Gatineau Power	27	1.20	4.4	1.77	10	Dec.	15.3	68	Baa
31	O	Mexican L. & P.	6	—	—	—	—	—	—	—	—
9	A	Quebec Power	26	1.20	4.6	1.57	23	Dec.	15.1	76	Baa
42	A	Shawinigan Water & Pr.	51	1.45	2.8	2.26	17	Dec.	22.6	64	Baa

B—Boston Exchange. A—American Stock Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. D—Decrease. NC—No comparable figures available. *If additional common shares have been recently offered, earnings are adjusted to give effect to the offering. Percentage change is in the net income available for common stock. Tax savings resulting from accelerated amortization of defense facilities are excluded (when separately reported). **Based on average number of shares. a—Also regular annual 3 per cent stock dividend which is included in the yield. b—Also 5 per cent stock dividend. c—Also 1/25 share of Northern Illinois Gas for each share of Commonwealth Edison. #Also occasional stock dividends. †Estimated. na—Not available.

What Others Think

Private Industry's Rôle in Atomic Development

ONE hot night in late July, with the hands of the clock in the Senate chamber edging toward 1 A.M., Senator Albert Gore of Tennessee rose to his feet, observed the handful of Senators in attendance dozing at their desks, reading newspapers, or quietly chatting with one another, and suggested to the presiding officer that a quorum was not present. "Go get them," snapped Majority Leader Knowland to an aide. "If we don't get them, we're going to send the sheriff after them."

The sheriff proved to be unnecessary as bleary-eyed Senators, routed from the cots placed for them in the cloakrooms by Senate employees, straggled one by one into the Senate chamber to answer the roll call. Somehow a quorum had been found, and the Senate could proceed with its business: consideration of the bill to revise the Atomic Energy Act of 1946.

Senator Knowland's touchy remark was in part an expression of the administration's determination to prevent a small minority from blocking enactment of a measure which had the unanimous support of the five Atomic Energy commissioners and most of the Joint Committee on Atomic Energy. Lacking the votes to defeat the measure, the public power bloc in the Senate defended their filibustering tactics on the ground that it was necessary to educate the public as to the "real nature" of the bill. Senator Morse of Oregon spoke of a $42 trillion "giveaway." Senators from the Tennessee valley area complained about the proposed AEC-Dixon-Yates contract; and all of them demanded certain changes in the bill which really had but one objective: the assurance of a virtual government monopoly in the development of atomic energy.

IT is significant that some of the best arguments for permitting private participation in the atomic energy program came from a Senator who can be considered to have a propublic power voting record but who, unlike the leaders of the filibuster, is a member of the Joint Committee on Atomic Energy. If Senator Pastore of Rhode Island never quite convinced his public power colleagues that the bill under consideration had nothing whatever to do with the public *versus* private power issue, he did succeed in demonstrating to the unprejudiced the shallow nature of the attacks on the bill.

In reply to a question from Senator Gore suggesting the advisability of writing provisions in the bill for preference to public agencies in the disposition of government-generated atomic power, Pastore explained:

. . . We must look at the problem in

its entirety. Under the bill there are two distinct phases of licensing procedure. Private industry cannot embark upon this venture until the time comes to apply for a license. One section of the bill provides for research and development. That will be the first phase. We must determine whether or not this venture is to be of practicable use before we reach the second phase, which has to do with the licensing of certain private concerns in the building of reactors once the practicability has been established.

IN other words, we are a long way from deciding who is to distribute atomic power once it is made competitive with the power which is being generated by conventional fuels. Pastore said it would be "innocuous" to put into the present atomic power legislation "preference" clauses similar to those found in most federal power laws until it can be seen what develops from the research and development phase of the program. He reminded Gore that this phase alone will involve billions of dollars and that there are not too many people, responsible to their stockholders, who can get into the field by investing large sums of money in the beginning. Those who do, he pointed out, will be running the risk that if it is a losing fight they will lose the money and will have to answer to their stockholders and their customers whose rates will have to go up.

"Some people seem to be running away with the idea that everyone in the United States will be knocking at our door to participate in the program," Pastore continued. "It will be an expensive program. It is not possible to produce, in the beginning, atomic energy for power, at a guess, for less than five times what it costs to produce electricity from conventional fuels. Until it is possible to get to the refinement where production is brought down to a competitive level, a great deal of money will have to be invested. It is my opinion that a great many people will want to stand by and wait and see someone else do it before they participate in the program. Everybody likes a sure thing. By no means is this a sure thing."

PASTORE brushed aside charges from public power proponents that the bill constitutes a gigantic "giveaway" which will enable private enterprise to capitalize on a $12 billion investment by the American people. The complete facts are quite otherwise, Pastore insisted. He denied the bill invites private industry to share in the development of atomic power in return for windfall profits, as frequently charged during the Senate debate. On the contrary, he stated, "it invites private industry to assume a share of the responsibility for atomic power development during a period when the chances for large profits are small—during a period when risks are great, a period in which modest returns, or no returns at all, on money invested constitute the most likely prospect."

The Rhode Island Senator acknowledged that some $12 billion has been invested in the national atomic enterprise, but he pointed out that by far the larger portion of this money has gone toward construction of plants producing atomic weapons and weapons material. Far less than $1 billion has been spent, or is now authorized, for projects related to atomic power development. In addition, it appears that at least another billion dollars will have to be spent for research and development before reactors can be built capable of competing widely with conventionally derived electricity. At what point is private industry going to be permitted to enter the atomic field, if not now, Pastore asked. He pointed out that the total

public investment will get larger and larger each year and, unless it was assumed that the government would forever maintain its monopoly, the time for deciding on the question of private participation was now.

THE choice before the Senate, Pastore said, was essentially this: Shall the American taxpayer be asked to assume the entire burden of financing power research and development during the pioneering years ahead, or shall Congress attempt to create a legislative environment in which private industry will be willing to take up a share of these development costs? "Speaking for myself," Pastore said, "I find no difficulty in answering these questions. To me, the equitable solution lies in inviting private industry into atomic power development today in return for the possibility of fair rewards tomorrow." He continued:

> Whether or not this bill becomes the law of the land at the present time, I would, myself, regard it as highly unlikely that the task of developing atomic power will remain a governmental monopoly for an indefinite period to come. This being the case, I want free enterprise, under properly controlled conditions, to assume its fair share of atomic developmental costs today. I respectfully suggest that now is the time. I do not wish to deny private participation in this field until such time as profits are assured. In fact, it is precisely because of my solicitude for the taxpayers' dollars, it is precisely because of my determination that there should be no atomic giveaway, that I now urge the Senate to permit private participation in atomic power under the terms outlined in the bill.

Arguments that the committee bill forecloses the federal government from developing and distributing atomic power itself were pointless, Pastore insisted, and arose from a misconception of the purposes of the bill which have nothing to do with the sale of electricity. The committee decided overwhelmingly to reserve judgment on that question until later, he said, after the research and development phase determined the practicability of atomic power for conventional purposes. It therefore inserted a provision in the bill expressly forbidding the AEC from entering the power-producing business without further congressional authorization to construct or operate such facilities. However, the government, as distinguished from the AEC, would not be precluded from building a reactor for the production of power when and if it should become feasible. Congress should decide then, and not now, the question of how the power produced should be sold to the consuming public.

IN the end, the public power block had its way and the bill emerged in its final form with a provision requiring the AEC to give "preference" to public bodies in the disposition of any surplus power produced at experimental plants. In view of Pastore's judicious speech and the statements of other members of the Joint Committee on Atomic Energy, many will wonder what all the shouting was about. A clew may be found in the vote on final passage of the bill. A second House-Senate conference had yielded to all the major objections of the Senate's public power proponents.

Despite these concessions, however, virtually all the leaders of the July filibuster voted against it anyway.

The March of Events

Senate Group Plans Network Inquiry

RADIO and television networks are showing some uneasiness over a preliminary investigation of their operations scheduled to begin this month by the Senate Interstate Commerce Committee. A committee staff plans to spend several months looking into network contracts, ultra-high-frequency station problems, and virtually all other aspects of the industry. The investigators are expected to make a report to the committee some time in January, at which time the committee will decide whether to conduct a full-scale investigation, complete with public hearings.

Former Republican Representative Robert F. Jones, a one-time member of the Federal Communications Commission and sharp critic of the established networks, has been retained by the Senate committee as its general counsel. The *Television Digest,* an industry newsletter, feared that the probe would be "vindictive" and "punitive." *Broadcasting* magazine fears it may harass the industry.

Minnesota

New Utility Tax Proposed

A PROPOSAL that Minnesota seek $64,000,000 in additional tax revenue from public utilities was submitted to the state legislative interim tax study commission at a hearing in St. Paul recently by the Moorhead Chamber of Commerce.

A Moorhead attorney said the proposed new tax on utilities would be "a possible substitute for the present personal property tax, in preference to the much-discussed sales tax idea."

Under the proposal, local units of government would get back 80 per cent of the utility tax take, on the basis of their residents' contributions on electric, gas, telephone, and telegraph bills. The state would keep 20 per cent, as it does from the personal property tax, which now raises slightly over $50,000,000 a year.

Missouri

Seeks to End Gas Rate Refunds

THE Laclede Gas Company last month asked the state public service commission for permission to terminate proceedings in which it was ordered to refund $2,627,916 in rate rebates to customers,

representing a differential in the cost of natural gas.

At the same time the utility asked permission to retain $229,419 of the amount to be refunded, which it said would be used for improvements and "the general benefit of all customers." The company said the amount represented money originally designated to be refunded, but that intended recipients could not be located.

The commission, which ordered the refund in May, 1953, after the Federal Power Commission ordered a reduction in the amount paid by Laclede to the Mississippi River Fuel Company for natural gas from Louisiana, set September 15th for a hearing on the request.

The company had been granted one year in which to complete the refund. Its petition said it had completed the action, except for those customers who could not be found.

Oregon

Voters Reject Bond Issue

VOTERS of Union county at a special election recently rejected for the second time in less than three months a proposed $4,500,000 public utility district revenue bond issue to finance acquisition of properties of California-Pacific Utilities Company in the area. The majority against the bonds was greater than was returned on the same proposition at the time of the state primary election in May.

Last month's vote was 2,239 for the bonds and 2,810 against, compared with a vote of 2,209 "yes" and 2,588 "no" in May. Directors of the PUD called the second election on the ground that the bond opponents had misrepresented the facts and that the company had taken an improper part in the May election campaign. Total vote exceeded the May turnout, with about 55 per cent of voters casting ballots.

The Union County Public Utility District was formed in 1940, and in 1942, at the second election on the proposal, a $925,000 revenue bond issue was authorized by a narrow margin. Several years ago the district brought a condemnation suit against California-Pacific and late in 1953 obtained an award of $3,600,000 for the properties sought. The PUD directors subsequently rescinded the original bond authorization and submitted a $4,500,000 issue to the voters on May 21st. This was the same proposal voted on again last month.

Pennsylvania

Gas Increase Delayed

TWO rate increases, scheduled to go into effect in Pittsburgh last month, have been delayed. The Equitable Gas Company was blocked by the city of Pittsburgh's law department at a hearing in Harrisburg of the state public utility commission, which ruled the increases should be suspended for additional hearings.

The first rate increase, for $1,852,500, was slated to go into effect on August 10th. The second increase, for $1,905,500, would have become effective August 26th.

The company had sought the increases on the ground the revenues would meet the increased costs of servicing some 225,000 consumers in seven western Pennsylvania counties.

Progress of Regulation

Restricted Stock Option Incentive Plan Fails to Get Commission Approval

THE board of directors of the Baltimore Transit Company, after stockholder approval, granted to twenty-one officers and employees options to purchase stock for less than the market price. The Maryland commission denied approval of the company's restricted stock option incentive plan.

Two questions confronted the commission: First, whether the plan was one which the commission could authorize and, second, if the commission had such power, whether the plan was in the public interest.

A negative answer to the first question, said the commission, would make a discussion of the second question unnecessary but, in view of the possibility of an appeal from any decision of the commission, it was considered wise for the commission to express its views with respect to both questions.

The state law permits such a company to issue securities when necessary for the improvement or maintenance of service. It was argued that under this plan there was an incentive to officers and employees to take a greater interest in the company and thereby improve the service.

The commission could not see where there would be any improvement in service if a limited number of persons were given a right which was denied to other employees who had, or should have, just as great an interest in improvement of service as the few favored individuals.

The commission questioned whether the plan was really designed for the improvement or maintenance of service instead of being designed to give additional compensation for services rendered. None of the employees to whom the options were granted, said the commission, would exercise such option unless he expected to make a profit. If the stock should decline in value, then whatever incentive the employee had would be lost. In fact, the interest of the employee might also decline, thereby impairing the service which he rendered.

The commission declared that it was not permitted to authorize the issuance of stock for services rendered by an employee and it would, therefore, seem that the commission had no power to approve the restricted stock option incentive plan.

Looking at the past history of the company, the commission decided that money to be secured from issuance of such stock would not be reasonably required for company purposes. The company had retired large amounts of securities, thereby giving

profits to affiliates. It was said to be apparent that the company would not purchase and retire bonds and preferred stocks in large amounts if it required the small capital which would be produced by the exercise of the option to purchase. *Re Baltimore Transit Co. Case No. 5281, Order No. 50862, July 28, 1954.*

Utility Freed from City Accounting Requirements

THE Miami city charter authorized the city commission to prescribe more detailed forms of accounts for utilities within its jurisdiction than those prescribed by the Florida commission for public utilities throughout the state. The city commission sought to retain its jurisdiction over such forms of accounts after a statute giving the state commission exclusive jurisdiction to regulate public utility rates and services had been passed.

The Florida supreme court, in deciding that the provisions in the city charter did not survive the passage of the statute, stated its views in these words as follows:

> The parts of the city charter preserved by the chancellor would result in mere duplication of effort on the part of the utility company, if not on the part of the city. The company's burden could conceivably be multiplied by the number of cities situated in the area it serves. We must disagree with the chancellor's view that the provisions of § 75(d) of the charter with reference to audits and accounts survived the passage of the act. To repeat, it is difficult to see what need there would be accomplished by allowing the city to require audits and detailed accounts when the rates and standards of service will be controlled by the Florida Railroad and Public Utilities Commission. Certainly all information gathered by the commission will be readily accessible to the city.

Florida Power & Light Co. et al. v. City of Miami, 72 So2d 270.

Telephone Service Restored after Removal for Dissemination of Racing Information

A SUBSCRIBER'S complaint against a telephone company's refusal to extend service resulted in the company's being ordered to consider the subscriber's application upon the same basis as that of any other application for service. The California commission reached this conclusion despite a finding that the company's removal of the phones was based on reasonable cause.

Testimony at the hearing indicated that a man who had access to the subscriber's apartment had been using her phone to disseminate racing information and that the subscriber upon occasions helped him in this work. The subscriber did not know whether the phone had been used for placing or accepting bets but was sure that she personally had never done either.

No arrests were ever made by the police, but the company produced three letters from the police department requesting that the subscriber's phone be disconnected. The subscriber's position at the time of the commission hearing was that she simply wanted a phone for her personal use, that the "race information" man would not have access to her telephone, and that she didn't even know his whereabouts. The subscriber further

claimed that she needed the phone to make and receive calls to and from tenants in an apartment house which she owned.

The commission ruled that the letters from the police department provided the company with a reasonable ground for its action. The commission's views on restoration of service are apparent in this paragraph:

> Inasmuch as there is no evidence connecting complainant with any illegal use of the telephone, and inasmuch as complainant testified she did not use and does not now intend to use the telephone facilities for unlawful purposes, there is no reason why she should be deprived of telephone facilities. The evidence in this case indicates that the telephone was used for the disseminating of racing information, although this activity in and of itself is not illegal.

George v. Pacific Teleph. & Teleg. Co. Case No. 5542, Decision No. 50278, July 13, 1954.

Mileage Basis for Express Freight Rates Rejected

THE Montana commission rejected the Railway Express Agency's request for authority to increase intrastate freight rates. Some of the requested increases would raise rates to the level recently approved by the Interstate Commerce Commission for interstate traffic. There was no showing upon which the commission could establish a rate base to determine whether the proposed rates were reasonable. The commission concluded that a rate base was necessary in order to compute a rate of return.

Passenger Train Deficits

The problem of passenger train deficits facing the railroads and the need to solve that problem were acknowledged by the commission. It admitted that these deficits must be made up from freight revenues, but, it said, no evidence was given by which it could determine that the contribution being made by the company to rail carriers for their service was insufficient.

Mileage Basis

Evidence purporting to set forth the Montana portion of revenue and cost was not made upon actual studies, but was predicated upon a mileage basis. The commission refused to accept this basis saying:

> Montana is a large state with relatively few centers of population and a great deal of track mileage. The bulk of cost to the express company is incurred as payroll expenses and it is obvious that the heavy expense which may be assigned to intrastate freight is incurred at terminal points of a shipment rather than during its passage between those points. If the expense of handling intrastate express is computed on a mileage basis, the result is an unreal figure which has no basis in fact.

Interstate and Intrastate Rates

In discussing the relationship between interstate and intrastate rates, the commission said that the company should do more than show a disparity between the rates. It must show that the local rates are not contributing their share of the revenue to the company's system-wide operation, and thus constitute a burden upon interstate commerce. No such showing was made in this case. *Re Railway Express Agency, Inc. Docket No. 4118, Order No. 2448, March 15, 1954.*

Court Defines "Navigability" in Connection with Power Project License Award

THE United States court of appeals affirmed a Federal Power Commission order awarding a license for a power project on the east fork of the Chippewa river. In the license, as originally issued, the commission based its jurisdiction on the fact that the project would occupy lands within a national forest. Upon application by the licensee, the commission amended its order and found that the east fork of the river was navigable and that the project would affect the interests of interstate and foreign commerce. The state of Wisconsin and the state commission challenged this finding of navigability in their appeal.

Log Drives As Navigation

The court carefully examined the traffic history of the river and found that it had never been used for ordinary boat traffic. The claim of navigability was based upon its use in log drives in the period from 1876 to 1924, when, according to the court, "Wisconsin was denuded of its great pine forests." In addition to logs the rivers were navigated by shallow draft boats which the court referred to as "bateaux and wanigans."

The court affirmed the commission views after summarizing them in this way:

> The decision of the commission was based upon the premise that movements of loose logs and traffic by bateaux and wanigans constitute recognized methods of navigation and that the commerce resulting therefrom is commerce of a type contemplated in the commerce clause of the Constitution when shown to have interstate characteristics. The commission considered that the logging operations from 1876 to 1924 constituted a business of large proportions, and that the log drives during that period were conducted regularly during the annual logging season.

Finally, the court considered the objection that while the river might be considered navigable before 1924, its disuse for thirty years would require it to be classified non-navigable in 1954. These words from the United States Supreme Court decision in the Desplaines river case (1921) 256 US 113, were considered sufficient answer:

> The Desplaines river, after being of practical service as a highway of commerce for a century and a half, fell into disuse, partly through . . . changes in its own condition, partly as the result of artificial obstructions. In consequence, it has been out of use for a hundred years; but a hundred years is a brief space in the life of a nation . . .

Wisconsin et al. v. Federal Power Commission, No. 10948, July 2, 1954.

Price Adjustment Clause Unacceptable in Tariff

A NATURAL gas company, applying to the New Jersey board for authority to increase rates, sought to include a price adjustment provision in the new tariff. This provision would have passed on to customers the increased purchase price of natural gas. In the event of a decrease in the cost of gas to the company, the resulting savings would have been returned to the customers only in the event that the

company was earning a return of 6 per cent.

The board considered the proposed provision unacceptable and was unwilling to authorize a refund based on a future rate of return, the reasonableness of which could not be ascertained in the present proceeding. The refund provision, said the board, also assumes that the operating expenses at a future time, if the price of natural gas drops, would be acceptable for rate-making purposes, an assumption which it considered impossible to make at the present time.

The 6 per cent return requested by the company was considered fair and reasonable and this return was based on an original cost rate base. The requested increase was authorized. *Re City Gas Co. Docket No. 7950, July 21, 1954.*

Other Important Rulings

Railroad Freight Rates. The Pennsylvania commission allowed intrastate railroads to establish and maintain rates for the transportation of certain commodities between points in the state, equal to the lowest rates applicable over any line or route between the same points, without observing short- and long-haul provisions. *Re Boin, Agent, Intermediate Rate Docket Nos. 101, 102, May 24, 1954.*

Notice of Hearing. The New Jersey commission, in determining whether a railroad had been given adequate notice of a transit company's applications to discontinue certain service and change certain routes, commented that adequate opportunity to meet opposing claims is afforded where the purpose and nature of a hearing become apparent, in a substantial sense, either before the hearing commences, or during the hearing, but in time for reception of all relevant evidence and argument offered to meet opposing claims. *Re Pennsylvania R. Co. et al. Docket No. 7571, June 2, 1954.*

Train Discontinuance. Statutes regulating abandonment of services and facilities by railroads, held the Ohio supreme court, are not applicable when a railroad, although continuing to operate its main tracks and depots for railroad purposes, merely discontinues stopping one of its passenger trains at a station, particularly where other daily passenger trains in both directions continue to stop at that station. *Re New York Central Train No. 421, 119 NE2d 77.*

Certificate Properly Issued. The Georgia supreme court held that the commission properly issued a certificate which was not restricted to a specific route without finding that existing transportation service was inadequate. *Petroleum Carrier Corp. et al. v. Davis, 81 SE2d 805.*

Breakwater Permit Denied. The Wisconsin commission held that it did not have jurisdiction to grant a city authority to construct a breakwater for a harbor where the city was not a riparian owner but just a lessee of the adjacent shore lands, and a statute provided that a permit could be granted only to a riparian owner. *Re City of Oshkosh, 2-WP-968, June 17, 1954.*

Farm Crossing. The Illinois appellate court, in determining whether a farm crossing was necessary and, if so, what type of crossing was required, commented that it would consider the character and value of the land adjoining the railroad, the benefit accruing to the landowner if the crossing were constructed, the possible

increase of danger to the public, and the cost of the construction and its maintenance to the railroad. *Hagemann v. Chicago G.W.R. Co. (1954) 119 NE2d 523.*

Temporary Bus Fare Upheld. The Minnesota supreme court refused to hold invalid a temporary bus fare established by the commission, notwithstanding that the commission, in fixing the fare, permitted the city bus company to charge as an operating expense one-half of the depreciated value of retired streetcars, amortized over a period of ten years, and the trial court, on appeal by the city, allowed such charge in so far as the company had made a saving on its income taxes, where it did not appear that the city, as representative of the patrons of the company, had suffered any substantial injury as a result of the employment of such a method. *St. Paul City R. Co. v. City of St. Paul (1954) 64 NW2d 487.*

Service Improvements Directed. A water company was directed by the Indiana commission to provide more adequate service by drilling new wells, installing pumping and treating equipment, enlarging distribution mains, constructing elevated storage facilities to improve pressures and flows, providing hydrants for public fire protection, and putting all customers on a metered basis, where the present supply was inefficient and dangerous to the public health and the company had made no efforts to improve the quality and character of service as promised. *Jenkins et al. v. Marengo Water Co. No. 25127, May 20, 1954.*

Titles and Index

Preprints in This Issue of Cases to Appear in
PUBLIC UTILITIES REPORTS

Titles

Index

CONNECTICUT PUBLIC UTILITIES COMMISSION

Cedar Island Improvement Association

v.

Clinton Electric Light & Power Company

Additional defendant: Connecticut Light & Power Company

Docket No. 8925
July 2, 1954

APPLICATION *for order requiring electric company to extend service to summer colony on island; denied.*

Service, § 117 — Duty to serve.

1. A public service company, as a general rule, has an obligation to serve all who seek its service within its franchise territory, at reasonable rates without preference, prejudice, or discrimination, but that obligation is not an unconditional one, p. 70.

Service, § 174 — Duty to extend — Reasonableness of requirements.

2. A public service company's duty to extend service is measured by what it ought reasonably be called upon to do, p. 70.

Discrimination, § 203 — Service extension — Effect on company's return.

3. Every service extension which does not immediately earn the same return on the rest of the company's property is not discriminatory, since before discrimination in the service extension attaches, the company's over-all return must be so reduced as to be in effect a confiscation of its property, p. 70.

Service, § 185 — Extensions — Return as a whole.

4. The test, in determining whether a public utility should be required to make service extensions, is not whether a given extension will of itself pay a profitable income, but rather whether the business in the franchise territory involved as a whole, including the contemplated extension, will pay a sufficient return, p. 70.

Service, § 184 — Extensions — Sparsely settled areas.

5. An extension of service into a sparsely settled locality should not be ordered when it will produce such a low return as to place an unreasonable burden upon the other customers of the company, p. 70.

Service, § 184 — Extensions — Future revenues.

6. Future revenues to be anticipated from a proposed service extension, as well as the immediate revenue, must be considered in determining whether the extension will work an unreasonable discrimination against the company's existing ratepayers by placing an undue burden upon them, p. 70.

Statutes, § 19 — Strict construction — Restriction of common-law rights.

7. Statutes restricting the right of public utility customers to be protected against discrimination must be strictly construed, since that right is both a common-law right and a statutory right, p. 73.

Discrimination, § 203 — Extensions of service.

8. The commission's obligation to avoid discrimination resulting from service extensions is at least as great as, if not greater, than its obligation to order such extensions, p. 73.

By the COMMISSION: By a petition filed October 5, 1953, Cedar Island Improvement Association seeks an order from this commission requiring The Clinton Electric Light and Power Company, a wholly owned subsidiary of The Connecticut Light and Power Company, both public service companies as defined in § 5390, General Statutes, Revision of 1949, hereinafter referred to as Clinton Electric and Connecticut Light, respectively, to furnish adequate electric service at reasonable rates to the residents of Cedar island, members of Cedar Island Improvement Association. The individuals will hereinafter be referred to collectively as the association.

In its petition, the association alleged that Clinton Electric had refused to furnish such electric service at reasonable rates, and that it had offered electric service on certain terms and conditions, which had been rejected by the association. It was further requested that the matter be set down for public hearing for the purpose of determining the merits of the issues therein presented.

By notice of hearing, dated January 14, 1954, the commission set the matter down for public hearing on February 9, 1954 at its offices in Hartford. Notice of the pending application, and of the public hearing thereon, was given to Clinton Electric, to Connecticut Light, to counsel for the applicants, and to such other parties as the commission deemed necessary, and by publication in a newspaper having circulation in the area. At the time and place set for the hearing, the association, Clinton Electric, and Connecticut Light appeared by counsel. The issues were briefed by the parties hereto, and the proceeding submitted on February 23, 1954.

The issues raised by this petition have been the subject of correspondence and negotiation between Clinton Electric and the association, and between Clinton Electric and certain individuals who are members of the association. Since the acquisition of control of Clinton Electric by Connecticut Light, there have been similar negotiations between the latter company and the association. Informal complaints have been lodged with this commission and considerable correspondence and negotiation have been carried on with respect to them. In all cases, however, the issues have not been resolved to the satisfaction of both parties, and since the matter did not appear the subject of informal adjustment, the commission assigned it for formal hearing.

Facts in the Proceeding

Cedar island is a summer recreational area with some 40-odd cottages at its easterly end and is located a short distance from the Connecticut shore, off the town of Clinton. It is actually at the end of a peninsula immediately to the east of the Meigs Point portion of Hammonasset State Park, and is separated from the town of Clinton by a body of water identi-

fied as Clinton harbor. There is a question of fact whether Cedar island is physically separated from the mainland at Meigs Point at all times, but, for the purposes of this proceeding, it is not material. The determination of the issues presented by this dispute does not depend on the answer to this question, and no finding of fact will be made upon it.

There was no dispute between the parties, however, that Cedar island is located at the end of an extension of Meigs Point, whether separated by water from it or not, and is approximately 900 feet across open water from the Clinton shore, approximately opposite the location of the southern end of Grove street. There are no accepted public streets leading to, or on the island, although there are public rights of way used by the residents. The usual method of access is by boat, and fuel for lighting, cooking, and other domestic uses, along with all other supplies, is brought to Cedar island by this means. Some persons now employ small motor generators to provide electricity but the association desires to discourage them because of the exhaust fumes and noise. The use of liquefied petroleum gas is considerable, but many residents fear the dangers of fire on the unprotected island.

The distribution lines of Clinton Electric extend to a point close to the shore of Clinton harbor, opposite Cedar island at one point, while, to the west, they terminate at the boundary of the Hammonasset State Park, from which point a distribution system owned by the state of Connecticut distributes energy throughout the Hammonasset State Park, extending along Hammonasset beach to a point some 7,500 feet southwesterly of the settled portion of Cedar island. From this point, the lines are separated from Cedar island by so-called Meigs Point, and by the intervening land or water.

Three means of bringing electric service to the island appear feasible, including one suggested by the association. Each has been examined by Clinton Electric, and Connecticut Light, and estimates of construction have been made of them. The first and most frequently considered is by means of submarine cable laid beneath the bed of Clinton harbor. The second method is by overhead conductors involving towers and an aerial span across the harbor. The third is to rebuild the existing distribution system owned by the state of Connecticut in Hammonasset State Park to enable it to carry additional wires and to extend it from its present terminus across the end of Meigs Point, thence across the low-lying land or water to Cedar island, and thence to the easterly end of the island, where most of the homes are located.

The proposal to use submarine cable involves the laying of about 1,000 feet of submarine cable through a channel in the bed of the harbor, which would have to be approximately 6 feet below the depth of the present harbor bed since the appropriate federal authorities have indicated to the companies here involved that dredging is anticipated in the area. The cost would approximate $27,500, and the maintenance costs would be high because of the vulnerability of the cable to lightning, and the difficulties to be expected in the event of a fault in the cable.

To supply service to the island by

aerial conductors requires the construction of steel towers approximately 90 feet high. The distance is approximately 900 feet, and the towers are required to give the 65-foot minimum overhead clearance required by the Corps of Engineers, United States Army, which body has jurisdiction over the channel of Clinton harbor. The estimated cost of supplying overhead service by this method is $22,280 without making allowance for the cost of the two plots of land which would be necessary, one on the island and one on the mainland. The companies estimate this cost at $5,000. There is little to support this estimate, however, and it is probably on the high side. In any event, accepting the companies' estimate, including land, the entire cost would amount to approximately $27,280.

The cost of reinforcing the existing distribution system on Hammonasset State Park, and extending it across Meigs Point to Cedar island, is estimated at $24,730. There would be approximately 3½ miles of construction involved. Clinton Electric would require a permanent easement across the state-owned properties of Hammonasset State Park. The entire pole line owned by the state of Connecticut would have to be rebuilt, or an entirely new line, at a new location, would have to be constructed. In addition, approximately 1½ miles of new line would have to be built to the settled area in Cedar island. Connecticut Light and Clinton Electric do not favor this approach, because part of the line would have to be built over sand and marsh land. The companies claim that the line would require rebuilding as often as every two years, and if concrete footings were installed for the pole because of the action of shifting sand and water washing across the low-lying marsh land separating Cedar island and Meigs Point the maintenance costs would be very high.

Clinton Electric also anticipates difficulties in obtaining the required easements of right of way to construct the necessary pole line facilities across the property at the westerly end of Cedar island, which is not owned by a member of the association. No evidence or testimony was introduced, however, whether any efforts had been made by Clinton Electric or Connecticut Light to determine whether such permanent easements could be obtained. Moreover, both Connecticut Light and Clinton Electric are empowered under the terms of their charters to exercise the right of eminent domain.

None of the methods of construction proposed is impossible, and the companies agree that as an engineering matter, any of them could be built, and maintained. The question of practicality enters, however, when the cost of installation and maintenance is considered. Thus, after consideration of the three methods discussed above, the companies conclude that the submarine cable crossing would produce the most satisfactory solution.

There are approximately forty-four potential customers who presently own property on Cedar island, and might take electric service, if it were available. Clinton Electric expects eventually that it will have all forty-four property owners as customers, but, at the outset of any extension of service, there appears no evidence that more than twenty-five customers would be willing to accept electric service.

Legal Issues in the Proceeding

Although in its letter of December 9, 1953, in which the association confirms the date of hearing on this application for February 9, 1954, it indicates that it proposes to rely on the provisions of Chap 258 and Chap 264, General Statutes, Revision of 1949, counsel for the association made it clear at the hearing that it was proceeding under § 5673, Chap 264, captioned, "Extension of Electric Lines to Unserved Areas." Moreover, in its brief, the association emphasized that it was depending entirely upon § 5673, and indicates that it considers that section to be an exception to the provisions of § 5410, and that it requires the commission to order extensions to all unserved areas meeting density requirements at the rates provided in § 5673, without reference to whether the proposed extension is reasonable or compensatory. Accordingly, we have so considered this proceeding in accordance with the pleadings, testimony, or evidence. We turn first to the provisions of the statute invoked by petitioner.

Section 5673, which is reproduced in the margin, was originally enacted by the 1941 Session of the general assembly, and became effective upon signature by the governor on June 18, 1941. No formal declaration has been found indicating the precise purpose of the bill, and diligent research by counsel for Clinton Electric and Connecticut Light, by counsel for the association, and by this commission, fails to disclose any definite indication that the bill was designed for a purpose other than that which appears from a reading of its language. Clinton Electric maintains that the purpose of the bill is principally to encourage rural electrification, while counsel for the association strenuously denies that any such limitation can be found in the bill's purpose. Before addressing ourselves to the applicability of this section, however, it is necessary that we examine carefully the nature of the obligation which the companies have with respect to the association, and its members who desire electric service, and then turn our attention to how that obligation has been conditioned by statute, including, among others, § 5673.

While every person has a right to dwell where he pleases, at least as far as this commission is concerned, if an individual prefers an inaccessible or difficult location, his "right" to utility service is our concern. When a public service company refuses service under conditions with which the potential customer is unable to agree, the responsibility becomes ours to determine whether the company has the legal right to impose such conditions and whether the customer has the legal right to insist on service at the same

Section 5673. *Extension of electric lines to unserved areas. Determination of rates.* (a) The commission shall order and direct the electric utility companies distributing current in this state to extend lines in their chartered territory, to all unserved areas having a density of subscribers for electric service averaging at least two per mile on such proposed new lines, in accordance with the provisions of this section. (b) The commission is directed, in considering the rates of electric utility companies in this state or in the proceedings having to do with such rates, to consider the expenses and revenues of each company as a whole, in arriving at a fair return on the fair value of such properties. In prescribing a rate for service on such new lines, the commission shall exercise its statutory powers, except that the guarantee required shall not exceed $13.50 per mile per month. (c) The commission is directed to advance the objects of this section in every lawful manner.

terms as it is extended to any other customers.

[1–6] As a general rule, a public service company has an obligation to serve all who seek its service within its franchise territory, at reasonable rates without preference, prejudice, or discrimination. The obligation is so deeply engraved into the nature of the public service concept that even to support it with citations would surround it with a greater measure of doubt than this commission concedes exists with respect to it. That the principle has received legislative recognition in this state, however, can be determined merely from reference to § 5410, which extends to an individual the right to bring his written petition to the commission, alleging that a public service company has unreasonably failed or refused to furnish adequate service at reasonable rates.

As a general rule, however, the obligation is not an unconditional one, but to it reasonable limitations may be and have been attached. "It is generally recognized that in determining whether or not a public service company is to be required to build an extension to serve a customer or customers, the question is whether, in view of all the circumstances of the case, it is reasonable to compel it to do so." Levitt v. Public Utilities Commission, 114 Conn 628, 632, PUR1932C 337, 339, 159 Atl 878. A public service company's duty "is measured by what it ought reasonably to be called upon to do." New Britain Gaslight Co. v. Root (1916) 91 Conn 134, 143, PUR1917C 102, 108, 99 Atl 559. See also Re Presmarita (1952) 98 PUR NS 140, 145.

Among the limitations which have been recognized are excessive costs, unlawful use, excessive voltage demands, discrimination, preference, or prejudice. Moreover, these qualifications are both common law and statutory in nature.

Among the statutory limitations on a public service company's obligation, preference of one class of customer or locality or prejudice to another, along with discrimination, are historical favorites of regulatory legislation draftsmen. Section 5409, Connecticut General Statutes, Revision of 1949; §§ 2 and 3, Interstate Commerce Act (49 USCA §§ 2 and 3); § 202, Federal Communications Act, 47 USCA § 202; § 4(b), Natural Gas Act, 15 USCA § 717c(b); § 205(b), Federal Power Act, 16 USCA § 824d(b). This is probably so because it is in this sphere that most abuses historically have been found. This preference or discrimination can arise in many ways, including by means of the expenditure of disproportionate sums of money to reach new customers at the expense of existing customers whose premises need no such expenditures to reach.

Every extension which does not immediately earn the same return on the rest of the company's property is not discriminatory, however. Before discrimination in the extension of utility service attaches, it has been held that the company's over-all return must be so reduced as to be in effect a confiscation of its property. People ex rel. Woodhaven Gas Light Co. v. New York Pub. Service Commission, 269 US 244, PUR1925E 827, 70 L ed 255, 46 S Ct 83. The test is not whether a given extension will of itself pay a profitable income, but rather

whether the business in the franchise territory of the particular utility involved as a whole, including the contemplated extension, will pay a sufficient return, Walters v. Utah Power & Light Co. (Idaho) PUR1919F 648, or stated somewhat differently, utility operations should be viewed in their entirety and accorded to all within the chartered limits who desire it, and to whom it may be furnished *without placing an unreasonable burden* upon the other ratepayers more favorably located for receiving the service. Nicholson v. Greensboro Gas Co. (Pa) PUR1924E 111 (emphasis supplied). See also Re Joplin Water Co. (Mo 1935) 10 PUR NS 276, and Bierbaum v. Union Electric Co. (Ill 1944) 52 PUR NS 129.

The test is whether the proposed extension would unduly burden the balance of the customers. For, despite the general obligation which restricts a utility from selecting those portions of a community which are remunerative and refusing all others, courts and commissions have held with remarkable unanimity that an extension of service into a sparsely settled locality will not be ordered when it would produce such a low return as to place an unreasonable burden upon other consumers of the company, Gross v. Duquesne Light Co. (Pa) PUR1921B 590, and that additional expenditure as a burden on the ratepayer, as a whole, should not be imposed for the benefit of a particular portion of the community unless a reasonable necessity for it exists. Lukrawka v. Spring Valley Water Co. 169 Cal 318, PUR1915B 331, 146 Pac 640. For example, it has been held that a utility cannot be required to make a farm line extension unless there is a prospective use in sight by customers who will use enough electric energy so that the utility may have a compensatory return upon the investment without an increase in rates over those paid by urban users. Re Consumers Power Co. (Mich 1935) 11 PUR NS 362; and that a natural gas utility company should not be required to extend its service to a village when the company could not earn more than 2 percent on the additional investment necessary. South Dayton v. Iroquois Gas Corp. (NY) Case No. 8601, November 19, 1935.

In calculating whether a proposed extension will work an unreasonable discrimination against the balance of the ratepayers by placing an undue burden upon them, however, future revenues to be anticipated from the extension, as well as the immediate revenue, must be considered. People ex rel. New York & Q. Gas Co. v. McCall (1917) 245 US 345, PUR1918A 792, 62 L ed 337, 38 S Ct 122; New Britain Gaslight Co. v. Root, *supra.*

The supreme court of errors in this state likewise has not followed without reservation the general principle that a utility company is under a duty to extend service without additional expense to the applicant, or additional charge above its regular rates, as long as the over-all return which the company earns is reasonable. In Levitt v. Public Utilities Commission, *supra,* 114 Conn at p. 631, PUR1932C at p. 338, the court said, with respect to such a claim by appellant: "Stated broadly, his claim is that a public utility company is obliged to serve all within the territory it is chartered to serve without discrimination in rates, provided it can do so without materially affect-

ing its financial or rate structure. An examination of the numerous authorities cited by him does not substantiate this claim."

Moreover, our supreme court has held that a public service company may charge differential rates, depending on costs of service, provided the classifications of service and rates provide that all will be treated alike who are similarly situated. Gallaher v. Southern New England Teleph. Co. (1923) 99 Conn 282, PUR1924A 279, 121 Atl 686. A difference of rates is not per se unlawful discrimination. Such discrimination as to service and rates, however, must appear to be inevitable or incidental and to have a reasonable basis. Bilton Machine Tool Co. v. United Illuminating Co. (1930) 110 Conn 417, 426, 148 Atl 337, 67 ALR 814.

This commission has consistently followed these principles on which it was upheld by our supreme court of errors in the Levitt Case, *supra,* and has looked to future revenues at all times in determining whether discrimination would arise by virtue of a proposed extension. See Re Sadikoff (Conn 1922) PUR1923A 319 (no prospects of development); Re Godfrey (Conn) PUR1923E 112 (no reasonable demand for the extension or probability of reasonable return); Re Howard (Conn 1924) PUR1925B 515 (anticipated return insufficient to pay expenses and overhead charges allocable to extension); Lapresti v. Connecticut Light & P. Co. (Conn 1924) PUR1925B 221 (4 per cent return from extension justified surcharge); Re Dattilo (Conn 1929) PUR1930C 389 (return not commensurate with average return earned on utility's investment); Re Noroton Water Co. Docket No. 1843, April 26, 1916 (wide variance between estimates of return and amount required to avoid loss justified customers' contribution and surcharge).

Against this background, we are now confronted with a statute, § 5673, enacted since the Levitt Case above, and restricted in its application to electric service, which makes exception to these principles in certain circumstances. Applicant claims it obligates Clinton Electric to serve without exception or qualification all who ask its service within its franchise territory living in an area with a density greater than two customers to a mile of line, at a rate fixed at a guarantee of $13.50 per mile per month, and that the plant devoted to such service must be considered as an integral part of Clinton Electric's system for fixing its general schedule of rates and charges. The association contends in effect that this statute prevents Clinton Electric from entering into special agreements, based on excessive costs, when making an extension to serve Cedar island, but requires it to serve the island at filed tariff rates with a minimum of $13.50 per mile of extension per month, regardless of the cost because there will be more than two customers to the mile of line.

The provisions of § 5673 specifically require us to consider the expenses and revenues of each company, as a whole, when calculating a fair rate of return. Should the situation arise which is envisioned by the supreme court in the Levitt Case, *supra,* where, "the construction of further extensions would affect its (the public service company) financial and general rate

structure" (114 Conn at p. 631, PUR 1932C at p. 338), presumably the commission would have to entertain a petition for rate relief applicable to the companies' entire service area in order to make up for the losses which are occasioned by the extension of lines made necessary by the provisions of § 5673.

From this analysis it should be perfectly clear that the provisions of § 5673 are in direct opposition to, and constitute exceptions from, our basic responsibility to ensure adequate utility service at reasonable rates to all persons within a utility's chartered territory who seek it without preference, prejudice, or discrimination, giving effect to over-all earnings, revenues, and expenses on a particular extension, including future earnings, and the reasonable need for the service. Potential electric customers who come within the purview of § 5673 thus have been singled out by the legislature for special treatment, and an exception has been made as a matter of public policy which permits companies to spread the expenses and revenues involved in serving such customers among the balance of their system.

[7, 8] Any act which restricts a common right, thus derogating from the common law, should be strictly construed in favor of that common right. Hart v. Board of Examiners of Embalmers (1942) 129 Conn 128, 132, 26 A2d 780. This principle has been applied to statutes which make exemptions from general taxing statutes, as well, and our supreme court has held that "exempting statutes are strictly construed and exempt only what is strictly within their terms." Klein v. Bridgeport (1939) 125 Conn 129, 131, 3 A2d 675. We believe that the right which all customers of a particular public service company have to be protected against discrimination and prejudice is both a common-law right and a statutory right. We believe that statutes which restrict these rights derogate from the common law, and the statutory law, and must be strictly construed. Our obligation to avoid discrimination, preference, and prejudice is at least as great, if not greater, than our obligation to order extensions of service under the provisions of § 5673.

Connecticut Light's and Clinton Electric's interpretation, however, is stricter than we would accept. These companies imply that the application of § 5673 is limited to extensions along rural roads for farm purposes. We see nothing in the language of the act which would justify such a conclusion. The statute makes no specific reference to "rural rates," nor does it contain any definition of a "farm," or otherwise restrict the "subscribers" to any particular class of persons or places. There was considerable discussion at the time the bill, which became § 5673, was before the general assembly in 1941, concerning extension of electric service to the unserved areas in the state. Some of the bills which were proposed for legislative consideration at that time contained language which defined the areas to be served in more limited terms than does the language of § 5673. These, however, are not proper aids for statutory interpretation. The language of the statute appears clear, and since it makes no distinction between classes of individuals or subscribers, it is not our function to "speculate upon any supposed

intention not expressed in an appropriate manner or to restrict the ordinary import of words used." McManus v. Jarvis (1939) 128 Conn 707, 711, 22 A2d 857.

We cannot, however, escape the climate in which this section was passed or overlook the manner in which it has been administered since its passage. Simultaneously, with the approval by the governor, on June 18, 1941, of § 5673, the so-called Rural Electrification Act, Chap 256, was also approved. Moreover, the commission carried out the provisions of this statute by, among other means, utilizing the services of Farm Bureau agents, and the engineering staff of this commission, who visited prospective customers, and explained to them the possibilities and means whereby service could be secured. The extensions which were made pursuant to the statute were not, by any means, however, restricted to farms or farmers. Records disclose many business establishments, gasoline stations, small factories, and other commercial enterprises, as well as summer cottages, private residences, and other premises, not, by any means, identifiable as farm establishments, which were extended service under this act. We feel, therefore, that the interpretation urged by the companies is too strict, and must be rejected.

The companies also emphasize that the extension herein provided would not be over public highways, and that the distance to be measured, in accordance with § 5673, should be measured as a linear continuation or prolongation of an existing line along a public street or highway, or along roads leading therefrom. This contention likewise appears to be contradicted by the facts since there are many cases in this state where extensions have been made for reasons of operating convenience, or efficiency, over private rights of way acquired by the company. We find that this interpretation is likewise too strict, and not supportable by the language of the statute.

While we cannot subscribe to the narrow interpretation urged by respondents, neither are we of the opinion that we have no discretion whatsoever under the statute. The difficulties which surround the extension of service to this particular island, the small amount of revenues which could be expected from the customers, the high cost of installation of the special equipment necessary to reach the island, together with the high maintenance cost of whatever method is chosen, would undoubtedly place a burden on the balance of the customers which is more than reasonable. The customers are seasonal, residing probably three or four months per year at the most at the island. The average cost of construction at the most inexpensive of the estimates, and assuming all forty-four residents become customers, would be approximately $560 per customer. This makes no provision for the expense of constructing the distribution system on the island itself, which would be high because the equipment and materials used would have to be carried to the island by boat. It seems clear that the burden which would be placed on the balance of the companies' customers would be a heavy one, disproportionate to the benefits received by the applicants.

In view of the strict interpretation which must be given to the provisions

of § 5673, the facts surrounding this application make it clear that an order requiring extension of electric service to the island in accordance with § 5673 could be made only after a liberal interpretation of the requirements of that section. We do not believe that § 5673 was intended to obligate a public service company unconditionally, without exception, to take such unusual and costly steps as submarine or aerial construction and maintenance to serve an isolated spit of land separated from the mainland by water or marsh land, and occupied only a few months per year as a vacation area, under the same terms and conditions as service is extended to customers located in more ordinary circumstances. If we interpret § 5673 to require service to this island, we would make the dangerous and unwarranted finding that § 5673 discarded the word reasonable. We refuse to make such a sweeping finding. All decisions of this commission are based on reasonableness and public convenience and necessity. Connecticut Co. v. Norwalk, 89 Conn 528, 534, PUR1915E 490, 494, 94 Atl 992.

We think that the proper interpretation and administration of the provisions of § 5673 requires, as do all other statutes subject to our jurisdiction, the exercise of reason and common sense, and prohibits a blind and unreasoning interpretation which would disregard the consequences which would flow therefrom. Moreover, we have consistently so held in administering this act. For example, as a result of hearings held in Docket No. 7061, the commission issued its orders to all public service companies, including the companies involved herein, requiring them to supply service to customers pursuant to the provisions of § 5673 at the utility's prevailing "rural extension rate," on file with the commission. This rate included, in all cases, this provision:

"6. Even though the conditions set forth in Paragraph 1 may be satisfied, some extensions may have no economic justification and the company may be authorized to decline to construct such extensions."

While a literal and legalistic construction might agree with applicants' contention, we do not believe any statute (particularly a statute which derogates from a common-law or statutory right) should be construed in an intellectual vacuum with all common sense pumped out of the atmosphere. The letter of the law is not, in all cases, a correct guide to the true sense of the lawmaker. Kelley v. Killourey (1908) 81 Conn 320, 321, 70 Atl 1031. Neither will an unreasonable requirement be inferred where none is expressed. Tolli v. Connecticut Quarries Co. (1924) 101 Conn 109, 117, 124 Atl 813. An interpretation which leads to an absurdity should always be avoided. And absurd it would be to hold that there is no room for reason in determining whether the customers of this company should be called upon to support this heavy burden. For, if it is right and just under the statute, to extend service to Cedar island, we must order similar extensions to any other isolated island at similar terms—regardless of cost, or distance, or usage—provided the density of population results in two or more customers per mile of extension, and provided the island is within the company's charter territory. We can-

not bring ourselves to believe that such is the clear meaning of this statute.

We do not hold that, under all circumstances, extensions of service to difficult or unusual locations, without special agreements, are unreasonable under the statute. We find only that the limitations on respondent's general obligation to serve, that it do so only on a nondiscriminatory, nonpreferential basis, which is contained in its common-law and statutory obligations, would be stretched to the breaking point if we were to hold that it extended to require service to these applicants, and precluded Clinton Electric from entering into reasonable extension agreements with them.

We do not hold that the association or the residents of Cedar island cannot obtain electric service. We hold only that it is not available under the provisions of § 5673. Neither do we conclude whether the offer made by Clinton Electric to the association is reasonable. On the reasonableness of the terms of the particular offer, we make no comment since the association has rejected it, and has elected instead to seek service under the terms of § 5673. When and if the parties hereto consider an extension agreement for service to this island, and if the particular terms should be presented for our specific discussion, we will then consider its reasonableness.

We hereby direct that notice of the foregoing be given by the secretary of this commission by forwarding true and correct copies of this document to parties in interest, and due return make.

NEW JERSEY SUPERIOR COURT, APPELLATE DIVISION

Lakewood Township

v.

Lakewood Water Company et al.

No. A-687
29 NJ Super 422, 102 A2d 671
February 4, 1954

REVIEW *of commission order refusing to require an extension of sewer facilities; reversed and remanded. For decision on application for reargument, see post, p. 84.*

Service, § 185 — Extension — Immediate profit — Over-all return.

1. The fact that a company, having a franchise in a certain area, will not realize a profit or an immediate profit through a specific addition to or extension of its facilities, which serves the public necessity and convenience, is not dispositive of the question whether such extension should be made, but the criterion is the over-all return of the company, p. 80.

Service, § 185 — Extension — Water and sewerage company — Over-all return.

2. The fact that a group of home owners in the franchise area of a company operating water and sewerage facilities are users of water service is an element to be considered in connection with over-all return of the utility when it is required to extend sewerage service to such home owners without the prospect of immediate profit; the fact that they are assisting in maintaining the sewer facilities for present users and contributing to the company's over-all profit, without receiving any benefit therefrom, borders on discrimination, p. 81.

Service, § 188 — Extensions — Burden of cost — Financial capacity of utility.

3. A statutory requirement that a public utility company shall extend its facilities when its financial condition is such as will reasonably warrant the original expenditure required in making and operating the extension indicates that the legislature intended the cost of the extension to be borne by the utility if it has the financial capacity to do so, p. 82.

Service, § 184 — Extensions — Sufficient business — Immediate profit.

4. A statutory requirement that there be "sufficient business" to justify an extension of service does not mean that the new construction show an immediate profit; when the extension is reasonable and practicable and the public convenience and necessity will be served thereby, the basic consideration is not profit from the extension but the over-all revenue from the utility's operations, p. 82.

Service, § 184 — Prospective demand — Sewerage extension — Sufficient business.

5. A group of fifty-eight home owners in the franchise territory of a water and sewerage utility represented sufficient business, in the statutory sense, under a requirement that an extension be made at the expense of the utility when there is "sufficient business," p. 83.

Appeal and review, § 68 — Disposition by court — Order relating to extension — Remand to commission.

6. A commission order refusing to require an extension of sewer facilities, based on an incorrect interpretation of the law imposing upon a utility the duty to extend service when there is sufficient business and the over-all return will be adequate, should be reversed and remanded to the commission for further proceedings when the issue of the effect of the absorption of the cost of the extension upon the over-all return was neither explored to any extent by the parties nor determined by the commission, since, under the circumstances, justification does not exist for a direction by the court that the extension be installed in accordance with the application, p. 83.

Return, § 16 — Right to earn — Over-all operations — Unprofitable extension.

Discussion of the duty of a commission to see that a fair return results from the entire operations of a water and sewerage utility which is required to make an unprofitable extension in its franchise area, p. 80.

APPEARANCES: Joseph M. Jacobs, Newark, for appellant (Stoffer & Jacobs, Newark, Attorneys, and Joseph Harrison, Newark, of counsel); Sidney P. McCord, Jr., Camden, for respondent Lakewood Water Co. (Starr, Summerill & Davis, Camden, Attorneys, and William F. Hyland, Camden, on the brief).

Before Judges Jayne, Francis, and Smalley.

The opinion of the court was delivered by

FRANCIS, J. A. D.: Appellant, township of Lakewood, seeks a reversal of the action of the public utility commission in refusing to order the respondent, Lakewood Water Company, to extend its sewer facilities to the area in question unless certain conditions imposed by the utility relating to the financing of the extension are met.

The water company has an exclusive franchise for the construction, maintenance, and operation of water and sewerage facilities in the township of Lakewood.

A recently developed section of the township, called "Lakewood Village," comprises an area of 3 blocks and contains 58 low cost homes occupied largely by World War II veterans and their families. The water company furnishes water to these families but no sewer facilities. When the homes were constructed during 1950 and 1951, dry wells and septic tanks for the disposal of sewage were installed by the developer with the consent of the municipality.

In a short time it was demonstrated that these septic tanks and dry wells are inadequate because the area is lowland with a high water table. Consequently, when heavy rains occur water gets into the cellars, the septic tanks and dry wells run over and the effluvium seeps back into the cellars and over the ground surface and creates a serious health hazard. The sanitation inspector of the township testified:

Q. And you say it is getting worse? *A.* That's right.

Q. What was your experience there during the recent heavy rains? *A.* Well, most of the cellars had anywhere from 6 inches to a foot of water in them and they had to install sump pumps to try to keep the water out, but the main problem is, the cesspools are continually running over, and all these families are young people and they all have a lot of children and with summer coming on, they play out in the back yard and there is a cesspool right there and sooner or later it is going to create a terrific epidemic, and that is what we are trying to avoid.

Q. That is your one great fear, that an epidemic may occur? *A.* That's right, it may occur at any time.

Q. What type of a community is Lakewood? What is its chief industry? *A.* Lakewood is a health resort and it would certainly be very devastating to the township as a whole to ever have a plague of any kind.

Study of the problem by the governing body of the municipality and by this inspector resulted in the conclusion that the only permanent remedy was to have respondent's sewer facilities extended into the location.

The sewer mains presently terminate one block away from "Lakewood Village." And when request was made for their extension, the company refused unless $21,094.28 of the cost thereof, which it asserted would be $24,230, was assumed in the first instance by the fifty-eight home owners.

This assumption meant, according to the respondent's president, that the home owners would make a deposit of that amount with the company. Then, over a period of ten years, the annual revenue from any new customers

would be multiplied by 3½, and that sum repaid pro rata to the fifty-eight depositors. At the end of ten years any unpaid portion of the original deposit would not be returnable. There is no indication that the possible refund arrangement was made known to the village people before the hearing hereafter discussed but respondent says that it is the well-established practice.

The division of the cost of installation of the sewer as set forth was arrived at by the use of a formula established by a general rule of the utility commission for application in cases involving water-main extensions. No such rule has been promulgated for sewers.

In any event, the offer was refused and the present petition was filed requesting that the utility be ordered "to extend its existing sewerage facilities to 'Lakewood Village' upon such terms and conditions as this board may deem proper."

At the hearing it appeared that the proffered plan did not contemplate extending the mains from the present termination point one block away. According to respondent's president the absence of grade there and along the course of such an extension would necessitate the construction of a rather expensive pumping station. Therefore, the proposal was to begin the construction at a point two blocks farther away from the village area, then run the main (except for a very short distance at both ends) along a road known as Squankum road for a distance of 1,420 feet, and then construct branches from this extension into and through the location in question.

Squankum road is not part of the village development and, except for three or four homes, it is not built up. Thus the longer construction, although more expensive in cost of main, eliminates the pumping station and anticipates future home growth along that road.

The legislature has spoken on the sonable extension of its existing facilities of a utility. Revised Stats 48:2–27, NJSA, provides:

"The board [of public utility commissioners] may, after hearing, upon notice, by order in writing, require any public utility to establish, construct, maintain, and operate any reasonable extension of its existing facilities where, in the judgment of the board, the extension is reasonable and practicable and will furnish sufficient business to justify the construction and maintenance of the same and when the financial condition of the public utility reasonably warrants the original expenditure required in making and operating the extension."

After considering the evidence, the board found that two of the three conditions set out in the legislation had been met, namely, (1) the extension is reasonable and practicable, and (2) the financial condition of the company would reasonably warrant the original expenditure. But it concluded that the installation would not furnish sufficient business to justify its construction and maintenance at the company's expense. Consequently it declared that "the terms and conditions under which the company has offered to provide the desired service are not unreasonable to the applicants for service in Lakewood Village, and that the record herein does not justify an order by this board requiring the in-

stallation of the desired extension on more favorable terms to applicants for service."

The view adopted by the board was predicated upon two factors: (1) the evidence showed an operating loss on the sewer service for 1951 and 1952, and (2) the estimated annual receipts from the fifty-eight home owners to be served immediately by the extension would be inadequate.

As to the first factor, it has already been noted that the utility has the exclusive franchise in Lakewood for both sewer and water facilities. It operates the two departments with common employees. Although the financial statement for 1952 and the president's testimony as to 1951 are to the effect that the sewer department operated at a loss in those years, it appeared that in 1952 the water department produced enough income to overcome the loss and to make possible the payment of a $7 dividend per share of the stock, which is 7 per cent on the par value thereof. No proof was offered as to the 1951 dividend, but since respondent mentioned only the sewer department loss, the inference is inescapable that the combined activities produced at least a fair return. Otherwise, such contrary fact would have been established. In fact, respondent did not prove at all that it is not receiving a fair and reasonable over-all return on its services. And it offered no proof that if it absorbed the cost of the proposed extension and received the estimated annual income therefrom, its total earnings would fall below the point of fair return.

[1] The fact that a utility will not realize a profit or an immediate profit through a specific addition to or extension of its facilities, which serves the public necessity and convenience, is not dispositive of the matter. The criterion is the over-all return in an operation such as that of respondent. The holder of an exclusive franchise to supply important and essential public needs in a limited area cannot pick and choose its customers solely from the standpoint of pecuniary advantage and ignore those who may be said to constitute an integral part of the locality served, simply because, considered in isolation, their service will not produce a profit. The duty to the public imposed on the utility by its franchise is to serve such people. And under ordinary circumstances, a correlative duty exists on the part of the utility commission on proper application to see that a fair return results from the entire operation. People ex rel. Woodhaven Gas Light Co. v. New York Pub. Service Commission, 269 US 244, PUR1925E 827, 70 L ed 255, 46 S Ct 83; People ex rel. New York & Q. Gas Co. v. McCall (1917) 245 US 345, PUR1918A 792, 62 L ed 337, 38 S Ct 122; Missouri P. R. Co. v. Kansas ex rel. Taylor (1910) 216 US 262, 54 L ed 472, 30 S Ct 330; Atlantic Coast Line R. Co. v. North Carolina Corp. Commission (1907) 206 US 1, 25, 26, 51 L ed 933, 27 S Ct 585; Collingswood Sewerage Co. v. Collingswood, 91 NJL 20, PUR 1918C 261, 102 Atl 901, affirmed (1918) 92 NJL 509, PUR1919B 585, 105 Atl 209. Annotation, 58 ALR 540.

In the McCall Case, *supra,* the United States Supreme Court said:

"Corporations which devote their property to a public use may not pick and choose, serving only the portions

of the territory covered by their franchises which it is presently profitable for them to serve, and restricting the development of the remaining portions by leaving their inhabitants in discomfort without the service which they alone can render. . . ." (245 US at p. 351, PUR1918A at p. 797, 38 S Ct at p. 124.)

The board itself has quoted this language with approval. Re Atlantic City Sewerage Co. (1924) PUR 1925A 135, 137.

The Supreme Court also said earlier in the quoted opinion:

". . . There is no showing in the record as to the fair value of the entire property of the gas company used in the public service, nor of the rate of return which it was earning thereon, and therefore even if the return on the cost of complying with the order be conceded to be inadequate, this would not suffice to render the order legally unreasonable." (245 US at p. 350, PUR1918A at p. 797, 38 S Ct at p. 124.)

A quite analogous situation appeared in Ridley v. Pennsylvania Pub. Utility Commission (1953) 172 Pa Super Ct 472, 98 PUR NS 506, 509, 94 A2d 168. There a water utility refused to extend its facilities into a section of a municipality. The commission found that the need existed but dismissed the application because it was "not economically feasible or reasonable for the water company to provide the extension facilities and service and bear all of the cost." It appeared that the revenue from the extension would produce a .95 per cent return on the investment and the commission had suggested that the interested parties participate in the cost of construction.

In reversing the commission's order, the court said:

"Ordinarily, it is not the business of the citizen or consumer to construct any part of a utility's system. There are, doubtless, instances where, under special circumstances, warranted by the evidence, the commission may, in the exercise of its administrative discretion, withhold exercise of its power unless patrons offer to participate in the cost of construction. Altoona v. Pennsylvania Pub. Utility Commission (1951) 168 Pa Super Ct 246, 88 PUR NS 366, 77 A2d 740. But no inflexible rule can be laid down; participation in construction costs cannot be exacted indiscriminately; and *it cannot be required upon a mere showing that an extension will not immediately produce an adequate profit. The action of the commission must rest upon evidence which shows that, without the contribution or loan of the consumers, the cost of construction would materially handicap the utility in securing a fair return on all its operations.* . . ." (Emphasis ours.)

[2] An element in the over-all return of the water company cannot be overlooked. It is conceded that the fifty-eight home owners are users of the water service. Since the rates therefor are sufficient to overcome the asserted loss on the sewer operation, it follows that these persons by paying their water rates are assisting in the overcoming of the sewer deficit. Thus they are assisting in maintaining the sewer facilities for the present users and contributing to the company's over-all profit—without receiving any

benefit therefrom. In the existing circumstances, this borders on discrimination.

[3] Coming back to the statute, it will be observed that the one condition dealing with the cost of construction of an extension of facilities is that the financial condition of the public utility should be such as "reasonably warrants the *original expenditure* required" in making and operating it. The language, and particularly the words "original expenditure," indicate that the legislature intended the cost of the extension to be borne by the utility if it had the financial capacity to do so. Where such capacity exists and the other two conditions imposed by the enactment are met, there would appear to be no reason for requiring the consumers to provide the capital investment. If the consumers are to be required to provide such funds, then—although the statute clearly makes it an important element—the financial condition of the utility in most cases would not be of much consequence. If, however, the financial condition would not reasonably warrant the expenditure, then it might be said generally that if the consumers provided the necessary funds, the utility would be lifted to the required status.

[4] With respect to the second factor referred to, namely, the inadequacy of the estimated annual receipts, some further discussion is necessary. Respondent contends that "sufficient business" means that the new construction should show an immediate profit. The board seems to have adopted this view, although it did not say so expressly.

On the subject of return through use of the proposed additional sewer lines, the evidence discloses that the estimated annual revenue from the fifty-eight home owners would be $895.92. If the entire estimated cost of the installation, that is, $24,230, were assumed by the utility, the anticipated revenue would yield a gross return of 3.7 per cent of itself; this would not be adequate. How much the percentage would be increased by development along Squankum road and contiguous areas cannot be said, although it is reasonable to expect some additional revenue.

It is obvious at once that if the legislature had intended profit to be a condition precedent to an order for expansion of facilities, the addition or substitution of a few words would have produced that result. So it may be assumed that the term "sufficient business" was deliberately and advisedly used in order to avoid making profit the criterion.

The cases and texts, to which allusion has already been made, demonstrate that immediate profit is not necessary. Some of the cases referred to consider that favorable future prospects establish justification for an order of extension. However, when the extension is reasonable and practicable and the public convenience and necessity will be served thereby, the basic consideration is neither immediate profit nor, in fact, any profit at all. The test is whether, as a result thereof, the over-all revenue from the utility's operations will no longer provide a fair and reasonable return. And if the evidence shows that the total revenue would fail to produce such return, then revision of the rates is the proper remedy unless it appears that the necessary

increase will impose an unreasonable burden upon all of the consumers. Cf. People ex rel. Woodhaven Gas Light Co. v. New York Pub. Service Commission, *supra,* 269 US 244, 249, PUR1925E 827, 831, 70 L ed 255, 259, 46 S Ct 83; Collingswood Sewerage Co. v. Collingswood, *supra,* 91 NJL 20, 28, 29, PUR1918C 261, 102 Atl 901.

[5] What then is the real significance of the term "sufficient business" in this statute? In the light of the established law, as applied to a situation like the present one, it must signify that a sufficient number of users in a sufficiently integrated or localized group are desirous of service, and that the public convenience and necessity require that such users be served. Amount of return, present or prospective, may enter into the determination of whether such a group constitutes sufficient business but (the other conditions of the statute having been met) lack of profit or inadequacy of profit is important only as it affects the over-all return of the utility.

On the record before us we conclude that the group of fifty-eight home owners represents sufficient business in the sense indicated.

[6] We realize that the issue of the effect of the absorption of the cost of the extension upon the over-all return was neither explored to any extent by the parties nor determined by the board. Respondent's president said that the result would be to "reduce the low rate of return we are now experiencing," but the matter was not pursued further. Under the circumstances, justification does not exist for a direction by this court that the extension should be installed in accordance with appellant's application. Consequently, there must be a remand of the proceeding to the board for hearing and determination of this issue. If, upon such hearing, it appears that absorption of the cost of the extension by respondent will not reduce the over-all earnings below the level of a fair and reasonable return, the extension should be ordered. If, however, it appears that the effect would be to reduce the return below the stated level, then revision of the rates should be made to accommodate the extension, unless such revision would force an unreasonable burden upon all of the consumers. If there is a specific finding of such unreasonable burden, then the board should prescribe the reasonable terms upon which the making of the extension will be ordered.

The judgment is therefore reversed and the matter is remanded to the board for further proceedings in accordance herewith.

NEW JERSEY SUPERIOR COURT, APPELLATE DIVISION

Lakewood Township

v.

Lakewood Water Company et al.

No. A-687
30 NJ Super 79, 103 A2d 387
March 1, 1954

APPLICATIONS *for re-argument of subject matter of appeal from commission order refusing to require extension of sewer facilities; denied. For original decision, see ante, p. 76.*

Appeal and review, § 68 — Remand of order — Rate considerations — Jurisdictional field of commission.

A decision by the court, on appeal, that a commission order refusing to require an extension of sewer facilities should be reversed and the matter remanded to the commission to determine the effect of the absorption of the cost of the extension upon the over-all return, involving a consideration of the adequacy of rates but not necessitating a lengthy and expensive rate hearing, does not constitute an intrusion upon the jurisdictional field of the commission.

APPEARANCES: S. P. McCord, Jr., Camden, for Lakewood Water Co. (Starr, Summerill & Davis, Camden, Attorneys); Grover C. Richman, Jr., Attorney General, for Department of Public Utilities, Board of Public Utility Commissioners (Frank H. Sommer and John R. Sailer, Deputy Attorneys General, of counsel); Stoffer & Jacobs, Newark, for Lakewood Township (Joseph M. Jacobs and Joseph Harrison, Newark, of counsel).

Before Judges Jayne, Francis and Smalley.

The opinion of the court was delivered.

PER CURIAM: Our decision in the above-entitled appeal was filed on February 4, 1954, 29 NJ Super 422, 4 PUR 3d ante, p 76, 102 A2d 671, 677. The respondents, Lakewood Water Company and board of public utility commissioners, have each addressed a petition to us requesting a reargument of the subject matter of the appeal. Additionally, we have the petitions of counsel associated respectively with the Atlantic City Electric Company and Hackensack Water Company who, if a reargument is granted, seek leave to participate therein as amici curiae.

The reasons asserted by the respondents for a reargument appear to arise from a misconception of the object and purpose of our decision. The prayer of the petition addressed to the commission was for an order obliging the utility "to extend its existing

sewerage facilities to 'Lakewood Village' upon such terms and conditions as this board may deem proper." The commission failed to determine and specify the "proper terms and conditions." It merely decided that the terms sought to be exacted by the utility were not unreasonable because the sewer department of the utility's business was operated at a loss in 1951 and 1952 and because the estimated annual receipts for sewer service from the fifty-eight home owners would not be immediately adequate. We expressed our opinion concerning the logical legality of those reasons in their application to the circumstances of the instant proceeding.

We observe that "the issue of the effect of the absorption of the cost of the extension upon the over-all return was neither explored to any extent by the parties nor determined by the board. Respondent's president said that the result would be to 'reduce the low rate of return we are now experiencing,' but the matter was not pursued further." We do not apprehend that an inquiry such as contemplated by our mandate concerning a maximum expenditure of about $24,000 will necessitate a lengthy and expensive rate hearing.

The insistence that our decision constitutes an intrusion upon the jurisdictional field of the board is manifestly erroneous. We iterate and adhere to our previously announced conclusion:

". . . Under the circumstances, justification does not exist for a direction by this court that the extension should be installed in accordance with appellant's application. Consequently, there must be a remand of the proceeding to the board for hearing and determination of this issue. If, upon such hearing, it appears that absorption of the cost of the extension by respondent will not reduce the over-all earnings below the level of a fair and reasonable return, the extension should be ordered. If, however, it appears that the effect would be to reduce the return below the stated level, then revision of the rates should be made to accommodate the extension, unless such revision would force an unreasonable burden upon all of the consumers. If there is a specific finding of such unreasonable burden, then the board should prescribe the reasonable terms upon which the making of the extension will be ordered." (4 PUR 3d ante, at p. 83, 102 A2d at p. 677.)

The applications for a reargument are denied.

EDITOR'S NOTE.—Following the remand, Lakewood Water Company notified the board that the company had determined not to petition the supreme court for certification of the matter and that the company would, at its own expense, extend sewerage facilities; and the commission determined that under the circumstances no further order was necessary in the matter at the time. Township of Lakewood v. Lakewood Water Co. Docket No. 7351, March 17, 1954.

CALIFORNIA PUBLIC UTILITIES COMMISSION

CALIFORNIA PUBLIC UTILITIES COMMISSION

Philip Michael

v.

Pacific Telephone & Telegraph Company

Decision No. 50202, Case No. 5540
June 29, 1954

COMPLAINT *by subscriber against telephone company's refusal to restore service; dismissed.*

Service, § 134 — Discontinuance for unlawful use — Telephone.

1. A telephone company had reasonable cause for denying service to a subscriber who had been arrested for violation of the penal code involving the use of the telephone and subsequently convicted and fined, where the company had terminated service at the request of the police department, notwithstanding a contention by the subscriber that he had paid the penalty for these offenses and that he needed the telephone as a means of earning a livelihood, p. 86.

Service, § 134 — Telephone discontinuance — Unlawful use — Temporary relief.

2. A subscriber seeking temporary relief from a telephone company's discontinuance of service should disclose all pertinent facts to the commission, since the proceeding is in the nature of an equity action in which the plaintiff should come in good faith and with clean hands, p. 86.

APPEARANCES: Philip Michael, in propria persona; Pillsbury, Madison & Sutro, by John A. Sutro, and Lawler, Felix & Hall, by L. B. Conant, for defendant.

By the COMMISSION:

[1, 2] The complaint alleges that Philip Michael of 254 South Broadway, Los Angeles, California, prior to February 24, 1954, was a subscriber and user of telephone service furnished by defendant telephone company under numbers MIchigan 0861 and MIchigan 0862. On or about February 24, 1954, these telephone facilities were disconnected by police officers of the city of Los Angeles. The complainant has made demand upon the telephone company to restore service but it has refused to do so. It is also alleged that complainant will suffer irreparable injury and great hardship if he is deprived of the use of his telephone facilities, and further that he did not use and does not now intend to use the telephone facilities as an instrumentality to violate the law.

Under date of April 27, 1954, this commission, by Decision No. 49982, in Case No. 5540, issued an order granting temporary interim relief, directing the telephone company to restore telephone service to complainant pending a hearing on the matter. On

May 6, 1954, the telephone company filed an answer, the principal allegation of which was that, pursuant to Decision No. 41415, dated April 6, 1948, in Case No. 4930 (47 Cal PUC 853), the telephone company had reasonable cause to believe the telephone facilities were being or were to be used as an instrumentality directly or indirectly to violate or to aid and abet the violation of the law.

Public hearing was held in Los Angeles on June 16, 1954, before examiner Syphers, at which time evidence was adduced and the matter submitted.

At the hearing the complainant testified that he operated a telephone answering service and a mail service. The telephone facilities he had prior to February 24, 1954, consisted of two telephones under numbers MIchigan 0861 and MIchigan 0862, which telephones were located in one room, and in another room there was an extension of MIchigan 0861. Also in the first room there were eight other telephones which were extensions of telephones from various professional offices in downtown Los Angeles. On February 24, 1954, two policemen and one policewoman entered the premises, arrested complainant and disconnected the two telephones, MIchigan 0861 and MIchigan 0862, as well as the extension in the other room. The other eight telephones were not disconnected. Subsequently the complainant pleaded guilty to violation of § 415 of the Penal Code, which, among other things, relates to disturbing the peace, and was fined $250. This fine was paid April 8, 1954. He further testified that he had previously been arrested on November 7, 1953, for possession of lewd films, and as a result of that arrest he pleaded guilty and was fined $100. Complainant admitted that he had used the telephone once to arrange for the purchase of some lewd films.

A police officer of the city of Los Angeles testified that prior to the arrest of November 7, 1953, arrangements had been made for the purchase of lewd films over the telephone, and that there were several telephonic contacts with complainant before the actual purchase was accomplished.

On February 24, 1954, the officer further testified, as a result of a letter complaining against Marilyn's Lonely Club which was advertising in a newspaper and which advertisement contained the address 254 South Broadway and the telephone number MIchigan 0861, the police by telephone call arranged for a policewoman to call at this lonely club upon the pretext that she desired membership. The call was made by the policewoman, and after improper advances by complainant two policemen entered and arrested him, disconnecting the telephones. The policewoman testified and verified these facts.

It is the position of the complainant that he had paid his fines for these offenses and that he is in need of these telephones since this answering service is his means of livelihood.

Exhibit No. 1 is a list of the customers he had prior to the disconnection on February 24, 1954. He stated he had lost many of these customers even though the telephones were now temporarily reinstalled.

Exhibit No. 2 is a copy of a letter dated February 26, 1954, from the chief of police of Los Angeles to the

telephone company, requesting that telephone service under numbers MIchigan 0861 and MIchigan 0862, at 254 South Broadway, be disconnected. The position of the telephone company was that it had acted with reasonable cause in disconnecting these telephone facilities and refusing to reinstall them inasmuch as it had received the letter designated as Exhibit No. 2.

After a consideration of this record we now find that the telephone company's action was based upon reasonable cause as such term is used in Decision No. 41415, *supra*. We further find that the telephone facilities here in question were used as an instrumentality to aid and abet the violation of the law. The testimony discloses that the complainant has been found guilty and fined for these violations. However, the complaint which complainant originally filed disclosed none of these facts. The temporary interim relief granted by Decision No. 49982 was based upon the incomplete allegations in this complaint. From this record we can do nothing else but conclude that all of these facts were in the possession of complainant at the time he filed the complaint since they pertain to offenses of which he was convicted and to which he testified at the hearing in this matter. We also find from this record that the telephone facilities of complainant were used in connection with the perpetration of these offenses. Therefore, it appears that the obtaining of the temporary interim relief was not done in good faith. This type of proceeding is in the nature of an equity proceeding, and it is fundamental that the complainant should come to the commission with clean hands. This complainant did not meet such a requirement. The order granting temporary interim relief will be dissolved and the complaint will be denied.

Order

The complaint of Philip Michael against The Pacific Telephone and Telegraph Company having been filed, public hearing having been held thereon, the matter now being ready for decision, and the commission being fully advised in the premises and basing its decision upon the evidence of record and the findings herein,

It is *ordered* that complainant's request for restoration of telephone service be denied, and that said complaint be and it hereby is dismissed. The temporary interim relief granted by Decision No. 49982 in Case No. 5440 is hereby set aside and vacated.

It is *further ordered* that upon the expiration of thirty days after the effective date of this order The Pacific Telephone and Telegraph Company may consider an application for telephone service from the complainant herein on the same basis as the application of any new subscriber.

PENNSYLVANIA PUBLIC UTILITY COMMISSION

City of Pittsburgh

v.

Duquesne Light Company

Complaint Docket No. 15899
May 24, 1954

COMPLAINT *that electric utility's proposal to change meter readings and billings to quarterly basis is unreasonable and discriminatory; dismissed.*

Discrimination, § 193 — Meter reading and billing — Change to quarterly basis.

An electric utility's proposal, after it has been required to terminate a joint meter reading operation with a former affiliate, to change to a quarterly meter reading and billing basis for residential and small commercial customers is not discriminatory or unreasonable where to continue the present monthly readings and billings would increase the company's operating expenses and contribute to a higher level of rates.

By the COMMISSION: This complaint, submitted April 6, 1953, by the city of Pittsburgh, alleges that Supplement No. 1 to Tariff Electric-Pa. P. U. C. No. 11 of Duquesne Light Company, filed March 2, 1953, to become effective May 4, 1953, is discriminatory, unreasonable, and contrary to law. Complainant petitioned that the supplement be suspended, and that hearings in the matter be consolidated with those then in progress in connection with the city's proceeding at C. 15865 against respondent's proposed Tariff Electric-Pa. P. U. C. No. 12.

Respondent, in answer, denied the general allegations of complainant and prayed that the complaint and petition for suspension be denied.

The commission took no action to suspend the proposed supplement, and, on May 4, 1953 denied complainant's request for consolidation of proceedings. Hearings were held June 1, 1953, and September 3, 1953; briefs have been filed by both parties and the matter is now before us for disposition.

Complainant confined its evidence to cross-examination of respondent's witnesses, and an exhibit of extracts from testimony in the rate proceeding at C. 15865, City of Pittsburgh v. Duquesne Light Company.

Respondent presented two witnesses and submitted five exhibits, including summaries of studies of the effect on customers of the proposed changes.

Supplement No. 1, subject of the complaint, was filed to revise rates, rules, and regulations to permit reading of meters and billing for electric service at intervals of one or more months. Under the tariff, as so amended, respondent proposed quar-

terly meter reading and billing for those residential and small commercial customers for whom measurement of demand is not required. In the months between meter readings, the customer would be furnished an interim statement of the approximate amount of his average monthly bill, such amount subject to payment at the option of the customer.

Respondent's change to quarterly meter reading and billing was prompted by order of the federal Securities and Exchange Commission requiring that a joint meter reading operation with former affiliate Equitable Gas Company be terminated. The testimony of respondent's witnesses indicates that continuation of a monthly reading and billing program for Duquesne, on its own, would involve an increase of approximately $120,000 in annual operating expenses. The quarterly basis is designed to avoid this increase, and will save an additional $114,000 in operating expenses.

By reason of application of the blocks of respondent's rate schedules on a quarterly basis, in lieu of the monthly basis previously in effect, and by revision of prompt payment discount provisions, the change to quarterly meter reading and billing results in both increases and decreases in customers' charges. Respondent's analysis of its customer records shows that the bulk of the increases would apply to customers with varying monthly use of service, and most of the decreases would result from the greater lag before forfeiture of prompt payment discounts. Although the effect of the change on individual customers is comparatively minor, respondent's studies indicate a net reduction in customers' bills of approximately $114,700 per annum. As hereinbefore indicated, this revenue decrease is offset by a corresponding reduction in operating expenses.

Complainant's contention that quarterly billing imposes a hardship on customers who must budget expeditures seems to us to be more theoretical than real. The customer can continue to make monthly payments based upon his average use which, for the majority of small residential and commercial services, remains fairly constant.

If respondent were required to revert to monthly meter reading and billing, the resultant increase in operating expenses which it would be compelled to incur would, in a final analysis, contribute to a higher level of rates than is now being paid by customers.

Upon consideration of all of the facts of record we conclude that respondent's quarterly meter reading and billing is not discriminatory, unreasonable, and contrary to law, as alleged; therefore,

It is *ordered*: That the complaint at C. 15899 be and is hereby dismissed.

Re Florida Power & Light Company

Docket No. 4079-EU, Order No. 2025
June 7, 1954

APPLICATION *by power company for approval of accounting procedure in respect to accelerated amortization of emergency facilities; procedures prescribed.*

Dividends, § 6 — Restrictions — Restricted surplus as capital equity — Accelerated amortization.

1. An electric utility which had a charter restriction on the payment of common stock dividends when the common stock equity was less than 25 per cent of total capitalization was authorized to include a restricted surplus, set aside to normalize the effect of accelerated amortization of defense facilities, as part of its capital equity in the determination of capitalization ratios, subject, however, to the prohibition that no part of the restricted surplus could be used for the payment of dividends, p. 92.

Accounting, § 28.1 — Accelerated amortization of defense facilities.

2. An electric utility which had obtained emergency certificates from the Internal Revenue Bureau permitting accelerated amortization of defense facilities was required to maintain its books of account so that depreciation on emergency facilities would be taken at rates consistent with those for like property not covered by necessity certificates, and so that the reduction in federal income taxes resulting from the amortization of emergency facilities would be charged to an account labeled "Provision for Deferred Federal Income Taxes" and credited to an account labeled "Earned Surplus Restricted," with the ultimate disposition of the balance in the restricted surplus account being subject to further order of the commission, p. 92.

By the COMMISSION: Florida Power & Light Company (applicant), a Florida corporation and a public utility within the meaning of Chap 26545, Laws of Florida, Acts of 1951, has applied to the commission for authority to effectuate certain accounting procedures involved in the special amortization, for federal income tax purposes, of part of the cost of certain of its generating plants and transmission facilities classified by the Defense Production Administration as being essential in the defense effort; and, in connection therewith, requesting the commission to make a declaration of its position on the rate-making aspect of the tax amortization problem.

The application and amendment thereto comprise the record in this matter.

The Commission has stated its position with regard to the question of the rate-making aspect of the tax amortization problem in its Opinion, Docket No. 3902-EU, Order No. 1982.

The accounting procedures proposed by the applicant are in accord with the

normalizing theory and follow the pattern of orders prescribed previously in two other matters. We shall follow in part the precedent already established by this commission.

[1] Based upon the circumstances of applicant as stated in the application as amended, showing that the applicant's charter has a common stock dividend restriction provision when the common stock equity is less than 25 per cent of total capitalization; and the applicant would in all probability experience a more receptive market when selling its securities were the Restricted Surplus permitted to be included as capital equity in the determination of capitalization ratios, the commission hereby permits such inclusion by applicant of Restricted Surplus. However, such Restricted Surplus may not be used for the payment of dividends.

[2] The commission, agreeable to the request of the applicant, will leave the determination of the ultimate disposition of the balance in Restricted Surplus to further orders of the commission.

It is, therefore, *ordered, adjudged,* and *decreed* by the Florida Railroad and Public Utilities Commission that, in accounting for the accelerated amortization of emergency facilities pursuant to § 124A of the Internal Revenue Code, the accounting procedures set forth below be and the same hereby are approved for use by the Florida Power & Light Company:

(a) To provide on its books for account for depreciation on emergency facilities covered by necessity certificates at rates consistent with those for like property not covered by necessity certificates; and

(b) During the 60-month period of amortization of such emergency facilities to charge "Provision for Deferred Federal Income Taxes," as a separate subaccount under Account 507—Taxes, with a corresponding credit to "Earned Surplus Restricted," as a separate account under Account 271—Earned Surplus, an amount for each year of the amortization period equal to the reduction in federal income taxes resulting from the accelerated amortization of such emergency facilities.

NEVADA PUBLIC SERVICE COMMISSION

Re Sierra Pacific Power Company

Case 1233
June 2, 1954

PROCEEDING *to investigate water main extension rule of power company's water department; company ordered to file amended extension rule.*

Service, § 210 — Water main extension — Rules — Refund of deposit.

1. A water main extension rule should be amended so as to increase free extensions to 100 feet, and provide for company installation of necessary valves, as well as a return of the guarantee bond or cash deposit as soon as 50 per cent or more of the development is occupied by consumers, p. 95.

Service, § 190 — Water main extension rule — Deposit — Refund sharing provisions.

2. A water main extension rule should include a section providing that any initial extensions on which a customer has made a deposit shall share ratably in the refunds from further paid extensions of the same main if such further extension is made within the 10-year period provided for refunds and is dependent for service on the initial extension, p. 95.

Service, § 176 — Water extension rule — Use of word "shall."

3. Use of the word "shall" instead of the word "may," in a water extension rule, with reference to invoking commission aid to settle disputes, might prove too confining and tend to eliminate private settlement of a dispute among the parties involved, p. 96.

APPEARANCES: Fred W. Clayton, Commissioner and Acting Chairman, and Lee S. Scott, Secretary, for the commission; Frank Tracy, President, and, Vernon Armstrong, Executive Engineer, for the Sierra Pacific Power Company; Edward Pine, Secretary-Manager, Nevada Chapter of Associated General Contractors, for the protestants—George A. Probasco, Paul Williams, Duane Ramsey, Sterling Builders, Inc.; L. B. Patrick, independent, in person.

By the COMMISSION: This proceeding was initiated by the commission on its own motion as a result of complaints against the application of the Sierra Pacific Power Company Water Department Extension Rule No. 5. Conferences between the commission, officials of the company, and others developed sufficient evidence to warrant issuance of the show cause order of November 9, 1953, which outlined the problem as follows:

"It appearing that under date of February 6, 1949, this commission approved a rule for water main extensions as filed by Sierra Pacific Power Company; and

It further appearing that said rule 5 has now become obsolete due to the

continued growth of the territory served by said Sierra Pacific Power Company; and

It further appearing that said rule is now retarding the progress of said territory served by Sierra Pacific Power Company; and

It further appearing that the commission is of the opinion that said rule should be changed in the interest of the public; and

It further appearing that the rule attached hereto and made a part of this order would be more appropriate in the public interest to meet present-day conditions,

It is *ordered* that an official or officials of the Sierra Pacific Power Company appear in the offices of the commission on November 23, 1953, at 10 o'clock A.M. and show cause, if any he or they may have, why the commission should not forthwith enter its order adopting said rule or a similar rule that would be more appropriate to meet the present-day conditions."

The company made verbal request for postponement which was granted on November 17, 1953. At a later date the above-entitled matter was set for public hearing and heard on March 31, 1954, at 10 o'clock A.M. in the chamber of commerce rooms, Reno, Nevada.

Representatives of the company presented as Exhibit 1 a proposed revision of their water extension Rule No. 5 in essentially the same form as the one suggested by the commission in the order of November 9, 1953. This was introduced and accepted in evidence as Exhibit 1. Also offered as evidence and accepted as Exhibit A was a proposal presented on behalf of the protestants and relating to extensions to serve subdivisions, tracts, or housing projects. Inasmuch as Exhibit 1 includes a similar provision for such service this decision will be based on a revision of Exhibit 1. This Exhibit 1 is also more or less in conformity with the commission order and reflects many areas of agreement between the company and the protestants.

Testimony developed during the hearing regarding the fire hydrant problem is not a part of these proceedings and must necessarily be rejected as not bearing upon the application of Rule No. 5 or proposed changes in said rule.

Testimony by the company indicated that the proposed revised Rule No. 5 was much more liberal than the present rule and would provide for a free extension of 60 feet or an expenditure of five times the annual revenue; that the water main service per customer at the present time was close to the 60 feet but that it was felt that it was not practical to try to gear extension expenditures to lot front trends; that had the proposed rule been in effect in 1953 most of the complaints would not have occurred; and that there would be no extension problems when both sides of the street were being connected. And further that the proposed refund method was a fair way to handle this problem but that other methods might be more advantageous to the customer.

Testimony on behalf of the protestants indicated that in their thinking an extension policy calling for a 60-foot "free extension" was far from adequate due to the accelerated trend toward wider and more shallow lots and that a "revenue method" of return of funds based on 35 per cent of the

annual revenue was not sufficiently high to bring about a more complete return of capital within a 10-year period. Also that if a rate went up during any 10-year period then refunds on collections at the increased rate should be required and that in the event a bond was accepted by the company, the mains were put in and 50 per cent of the units were completed, then the bond should be reduced accordingly.

Substantial areas of agreement were disclosed during the testimony. The commission notes that the company and the protestants were agreed that the company should be responsible for the expense for construction through street intersections and for valves at these points; that a minimum 6-inch main was for the most part necessary from an engineering standpoint; that there should be a clarification in the rule regarding refunds to the subdivision owner from customers of the company directly connected to the subdivision main but located outside the subdivision; and that the bond or cash deposit should be reduced as development proceeds.

The commission is aware of the fact that there was little testimony introduced on behalf of the individual lot owner and that it was necessary to conduct a separate investigation so that protection could be offered the individual in a case of this kind, but that in most cases already installed mains are available to these individuals.

The commission is also aware that testimony was brought out regarding the use of the word "may" or the word "shall" in connection with referral of disputes to the commission and the proposal to designate the minimum standard of material to be used in estimating the reasonable installed cost of necessary facilities in a new subdivision.

From an independent investigation by commission members it was determined that there was a general trend to wider and shallower lots, thus showing a definite need for an increased extension allowance; that it is possible to gear extension policy to lot front trends within certain limits; that to properly care for present requirements and to adequately take care of the immediate future it is necessary that the extension rule be more liberal than that proposed by the company in Exhibit 1.

[**1, 2**] After carefully reviewing the testimony of record and the results of its own investigation from other sources, the commission is of the opinion that the water extension policy of the company should be based on the provisions as proposed in Exhibit 1 with the following changes:

1. Free extensions as defined in § A (1)(b) be increased to 100 feet;

2. Extension of water mains through intersections as described in § A(1) includes the provision of and company installation of necessary valves;

3. Provision be made in § B to provide for a return of the guarantee bond or cash deposit as soon as 50 per cent or more of the development is occupied by consumers; and

4. Inclusion in the rule of an additional section providing that any initial extension on which a customer has made a deposit shall share ratably in the refunds from further paid extension of the same main if such further extension is made within the 10-year period and is dependent for service on

the initial extension, and that any agreements made regarding such refunds must have commission approval before becoming effective.

[3] The commission is of the further opinion that the description of the minimum material to be used in estimating reasonable installed costs in a new subdivision is impractical and that in the event of dispute the parties involved can always come to the commission for settlement. Also that the use of the word "shall" when referring matters to the commission might prove to be too confining and tend to eliminate private settlement of a dispute after conference among the parties involved. The commission is always available for conference if necessary. Also that in the event a rate increase or decrease is allowed it should not affect agreements made on the rate of return of deposits.

The commission, therefore, finds:

1. That the proposed revision of the present company Rule No. 5 as set forth in Exhibit 1 of this proceeding will be in conformity with the show cause order dated November 9, 1953, when the above changes 1, 2, 3, and 4 have been made a part and parcel of said Exhibit 1; and

2. That the company is ordered to make said changes and submit the revised Rule 5 to the commission within ten days of the date of this order.

3. The application of this rule shall be retroactive to November 9, 1953.

An appropriate order will be entered.

DELTA-STAR'S *New* "QB"

INTERRUPTING DEVICE FOR ALL AIR SWITCHES

VERTICAL, HORIZONTAL, HOOK STICK

for opening line charging currents, transformer magnetizing currents and small load currents at voltages from 15 KV to 161 KV.

Easily Installed on Switches Now in Service

Necessary phase spacings and clearances are not increased by the addition of the "QB" Device. The current path through a closed switch is through its main blade and contacts. The quick break blade is not in the current path until the switch starts to open; then the current is transferred from the main switch contact to the quick break blade.

Simple, Positive—No Additional Effort Required in Opening Switches When Frozen

The quick break blade is carried without extra effort. Ice on the main switch blade and contact is broken before effort is expended in breaking the ice on the "QB" attachment.

Spring and Current Carrying Members are Independent

Spring actuated quick break blade is mounted on the switch contact stack. This design permits the use of a more substantial construction, a heavy independent spring driving mechanism and much greater opening speeds.

"QB" Quick Break Device applied to a MK-40 Vertical Break Switch.

Fig. 1—Vertical Switch blade (A) is closed into the main contact (B) and the quick break blade (C) is in neutral position.

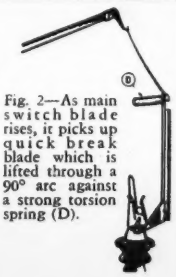


Fig. 2—As main switch blade rises, it picks up quick break blade which is lifted through a 90° arc against a strong torsion spring (D).

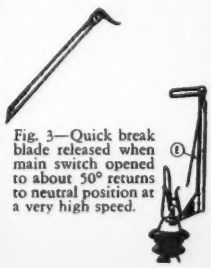


Fig. 3—Quick break blade released when main switch opened to about 50° returns to neutral position at a very high speed.

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. K. PORTER COMPANY, INC.
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Gives you MORE POWER...
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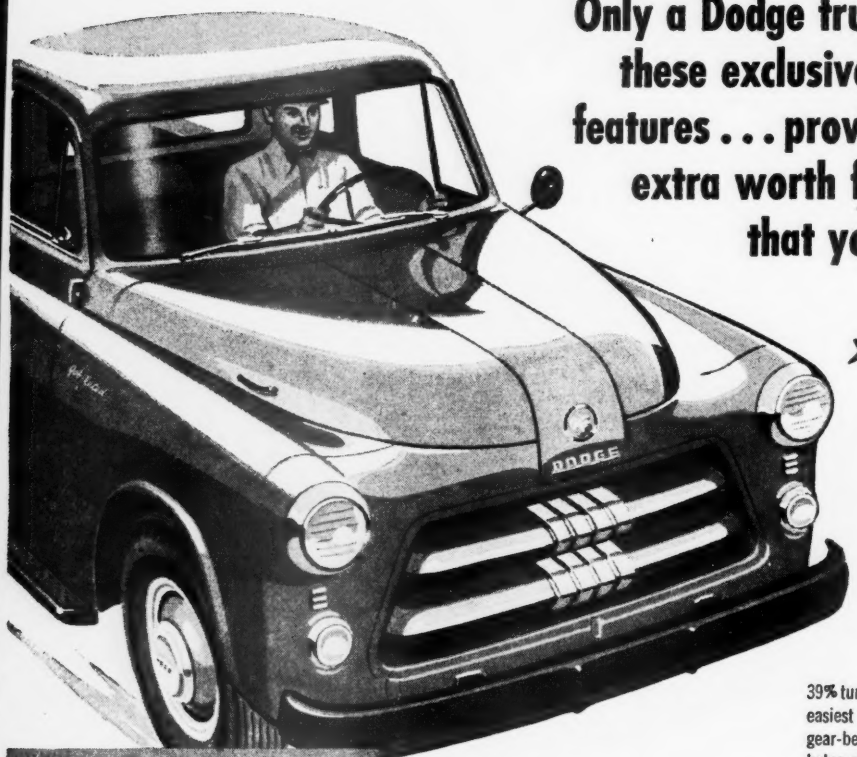

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NOW YOU CAN GET

the world's most powerful low-tonnage truck engine . . .

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for ½- through 1-ton pick-ups, panels, and stakes

☆ Greatest power line-up

Famous Power-Dome V-8's with unique dome-shaped combustion chambers for top power and efficiency! Full line of thrifty time-proved 6's, too! 6 great engines in all—103- to 172-horsepower!

☆ Easiest handling

39° turning angle—for sharpest turning, easiest parking of any truck! Plus new gear-before-axle steering system that helps absorb road shocks, cuts driving fatigue to a minimum!

☆ Most comfortable cab

Widest, roomiest cab interior of them all—with 61¾" of hiproom, 58⅜" of shoulder-room! Deepest easy-chair seat—with 86 soft super-cushion coil springs!

☆ Best Visibility

Biggest windshield in the popular truck field—9 sq. in. in size! Most total vision area, too, with full 2261 sq. in.! You see more from every angle a Dodge truck!

☆ Plus biggest savings

Power-Dome V-8 design gets more miles from every gallon of regular gas, stretches your fuel dollars! And Dodge truck quality engineering saves you even more money in long life, low maintenance!

SEE YOUR DEPENDABLE DODGE TRUCK DEALER TODAY!

Added proof...

that there's a better deal for the man at the wheel . . . with new

DODGE "Job-Rated" TRUCKS

Industrial Progress

$10,000,000 Expansion Program Approved

A $10,000,000 expansion program for Arkansas-Louisiana Gas Company, most of which will be spent in East Texas, Northwest Louisiana and Southwest Arkansas, has been approved by the Federal Power Commission.

The program calls for construction of approximately 136 miles of gas transmission lines.

The $10,000,000 expansion is part of a $39,000,000 three-year construction program launched by Arkansas-Louisiana in 1953.

Dravo Booklet Describes Services of Construction Dept.

"DRAVO — Engineering Constructors." is the title of a new 45 page book recently released by Dravo Corporation, Pittsburgh, Pa., to describe the services and activities offered by the Machinery Division Construction Department.

Prepared as a photographic story, the book shows power plants and typical utility central station projects completed by Dravo. An introduction explains how the department's staff of experienced engineering-construction specialists are equipped to consummate any type of working contract.

G-E to Manufacture 125,000 KV Unit for Tokyo Utility

THE General Electric Company has announced that it will manufacture the largest turbine-generator ever exported from the United States. The unit, rated 125,000 kilowatts, will be installed in the Chiba generating station of the Tokyo Electric Power Company of Japan.

The new unit is a major step by Tokyo Electric toward reducing the city's high cost of electricity. Largest single steam turbine-generator ever ordered for the Far East, the turbine will be able to produce power at lower cost than small units now in use.

The new turbine-generator is scheduled for shipment in the spring of 1956.

Texas Eastern Plans $3,269,000 Expansion

ACCORDING to announcement by George T. Naff, president, Texas Eastern Transmission Corporation has filed with the Federal Power Commission an application to construct and operate 58 miles of 20 and 16-inch pipeline from Joaquin to Longview, Texas, at an estimated cost of $3,269,000. The proposed construction would consist of 26.5 miles of 16-inch pipeline extending from the company's compressor station near Joaquin, Texas, to the Carthage field in Panola County, Texas, and 31.5 miles of 20-inch pipeline from the point of termination of the 16-inch pipeline to the south terminus of the company's 24-inch pipeline near Longview, Texas.

The announcement stated that the proposed construction would permit gas from the company's lines originating at Provident City, Texas, to be transferred to its 24-inch pipeline originating at Longview, whereas at present the company has no facilities south of Little Rock, Arkansas, for transfer between those lines.

CP&L Getting Power From New Generator

THE first unit of Carolina Power & Light Company's big new plant near Wilmington has begun generating electricity and is expected to reach full production by October 21st, the date set for its dedication, according to Louis V. Sutton, president.

Mr. Sutton pointed out that the dedication date coincides with the 75th anniversary of Thomas A. Edison's invention of the first practical incandescent lamp. On that date, electric companies throughout the country celebrate the "Diamond Jubilee of Light" in honor of Edison, who is generally considered the father of the electric industry.

While work on one unit is nearing completion, the builders are busy erecting a second, which is scheduled to be ready by mid-1955. The two generators will be capable of producing a billion and a half kilowatthours of electricity per year.

Penelec Places Another New Unit in Operation

PENNSYLVANIA Electric Company placed in commercial operation recently the second of two 137,500 kilowatt units at its big Shawville generating station of the West Branch of the Susquehanna river near Clearfield.

The first unit at the $40,000,000 station went on the line at full capacity on April 2nd of this year. With both units in operation, Penelec's effective generating capacity is increased by nearly 50 per cent to 838,000 kilowatts.

AGE Reports Home Usage of Electricity at Peak

USE of electric energy in homes on the American Gas and Electric System is at its highest peak in the history of the system.

According to Paul D. Brooks, commercial vice president of American Gas and Electric, the "boom" in home usage of electricity is being caused by increased sales of residential air conditioning, resistance home heating, heat pumps and the record sale of home appliances set in 1953.

Mr. Brooks stated that for the first time in the history of the AGE Sys-

(*Continued on page* 24)

INDUSTRIAL PROGRESS (*Continued*)

tem, average residential usage in Jun went over the 200 kilowatthour mark The 217 kwh June average for home represents an increase of 9 per cen over the same month, a year ago. Fig ures for the first six months this yea show an average gain of 122 kwh pe home or a 9.3 per cent increase ove the same period last year.

From the end of 1946, when a $69 million post-war expansion progra was begun on the AGE System through December last year, averag residential usage rose 92 per cent an number of customers increased 53 pe cent. Cost to the residential custome has dropped 28 per cent.

During this period annual usage in creased from 1,308 to 2,516 kwh, num ber of residential customers went fro 741,585 to 1,132,020, while the ave age cost to the residential custome declined from 3.3 to 2.58 cents pe kilowatthour.

C&P Plans to Spend $2.6 Million in D. C.

THE Directors of the Chesapeake Potomac Telephone Company re cently approved expenditure of $2 618,000 for improvement of tele phone facilities in the District of Co lumbia.

The additional amount raised th total approved for new construction so far this year to $9,021,000.

I-T-E Issues Bulletin on Low Voltage Switchgear

BULLETIN 6004 A, issued by I-T-E Circuit Breaker Company, is a 24 page guide to I-T-E low voltage switchgear. Illustrated with diagram and photographs, booklet is full of in formation on features, switchgea components, applications, specifica tions, and construction data. It als describes extra services which ar available to users of switchgear.

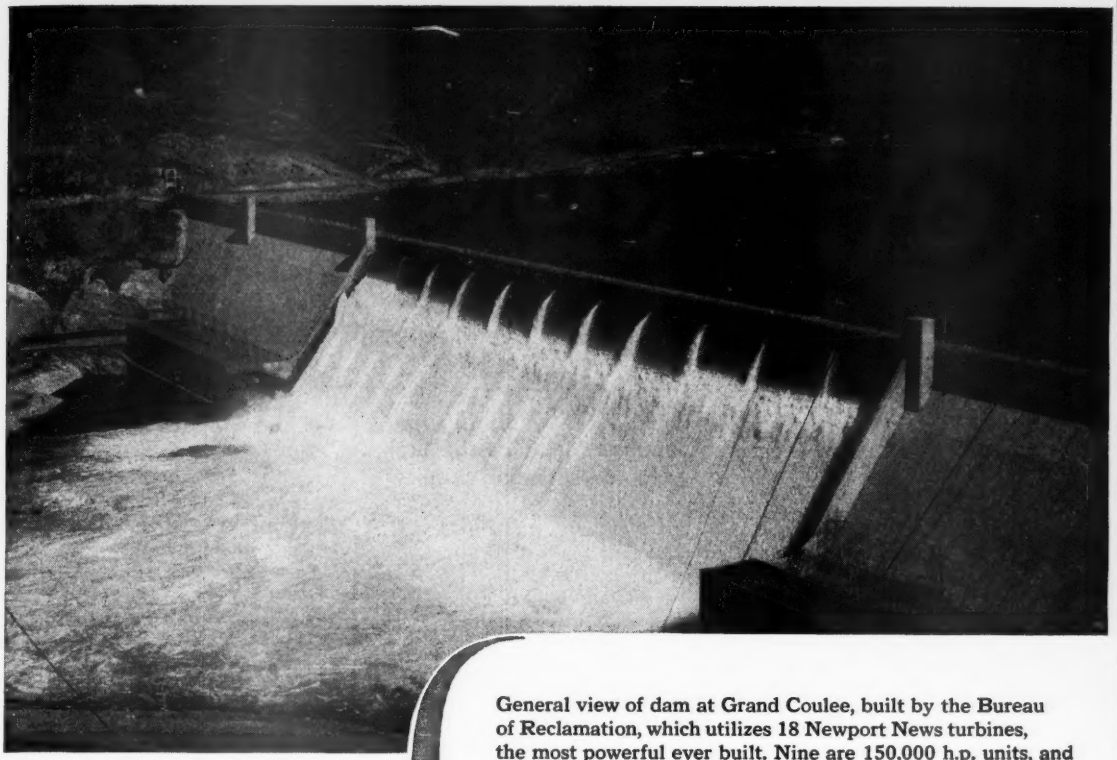
Copies may be obtained from I-T-E Circuit Breaker Co., 19th and Hamil ton streets, Philadelphia 30, Pa.

Arizona Public Service to Supply Grand Canyon National Park

ARIZONA Public Service Co Phoenix, is building a 60-mile trans mission line to carry power from it system to Grand Canyon National Park. It expects the service to be in full operation before Christmas.

The park area is being served now by a small generating plant owned by the Atchison, Topeka & Santa Fe Railroad, which will be maintained on a standby basis for emergency use.

(*Continued on page* 26)



General view of dam at Grand Coulee, built by the Bureau of Reclamation, which utilizes 18 Newport News turbines, the most powerful ever built. Nine are 150,000 h.p. units, and the other nine are rated at 165,000 h.p. each.

Specialists • • • in building Water Power Equipment

Turbines designed and built for the world's largest development at Grand Coulee... and for other hydroelectric installations in America and various parts of the world... bespeak the skill and facilities offered by Newport News.

This trained organization has filled hydroelectric turbine contracts with an aggregate rated output of 7,000,000 horsepower.

Other equipment designed and built by Newport News includes penstocks, pressure regulators, valves, pumps, gates and rack rakes. Upon request, a copy of our illustrated booklet entitled "WATER POWER EQUIPMENT" will be sent to you.

Typical Users of Newport News Equipment

PLANT	LOCATION
Boone	Tennessee
Buchanan	Texas
Caonillas	Puerto Rico
Chief Joseph	Washington
Clark Hill	South Carolina
Deer Lake	Newfoundland
Folsom	California
Fort Patrick Henry	Tennessee
Hiwassee	Tennessee
Hoover	Nevada
J. H. Kerr	Virginia
Jim Woodruff	Florida
Lower Salmon	Idaho
Norris	Tennessee
Rock Creek	California
Santee-Cooper	South Carolina
C. J. Strike	Idaho
Whitney	Texas
Wilson	Alabama

Newport News
SHIPBUILDING AND DRY DOCK COMPANY
Newport News, Virginia

Booklet Describes Services of Patterson-Emerson-Comstock, Inc

A NEW 44-page booklet illustrates and geographically describes many recent electrical installations by Patterson - Emerson - Comstock, Inc. Copies may be obtained from the firm at 313 E. Carson Street., Pittsburgh, Pa.

Since the end of World War II this company has completed, or has under construction, 1,596,000 KW in power generators; 4,346,380 KVA in line transformers, and 3,112,290 HP in industrial equipment, with total billing costs exceeding $85,500,000.

The company's operations have been extensive in the public utility and steel industries but is rapidly extending into other heavy industries.

A wholly owned subsidiary of the company, the Patterson-Emerson-Comstock Company of Alabama, with headquarters in Birmingham operates in twelve southern states.

Active relationship is also maintained with these five associate companies—L. K. Comstock & Co., Inc., New York, N. Y.; Emerson-Comstock, Co., Inc., Chicago, Ill.; Emerson-Garden Electric Company, Elizabeth, N. J.; Garden State Construction Company, Atlantic City, N. J.; Canadian Comstock Company, Ltd., Toronto, Canada.

Large Expansion Planned by Columbus & Southern Ohio

COLUMBUS and Southern Ohio Electric Company recently announced that construction expenditures have been tentatively budgeted at around $19,000,000 for 1954 and at approximately $21,000,000 for 1955.

Commonwealth Edison Lights Up for Diamond Jubilee

A UNIQUE illuminated sign has been put in operation by Commonwealth Edison Company to honor Thomas Edison's invention in 1879 of the first commercial incandescent lamp. It is one of several features planned for Light's Diamond Jubilee which is being observed this year. It will operate throughout 1954 from 7 a.m. to midnight each day.

The sign consists of a huge revolving light bulb twelve feet high and six feet in diameter. The bulb is covered with a myriad of small mirrors each two inches square. Lights play on the lamp as it revolves to give the appearance of a jewel-studded bulb.

According to Federal Sign and Signal Corporation, the builder, the display is the only creation of this type

California Companies Add Three Compressors

DAILY capacity of the "Bigges Inch" pipeline which brings natura gas from West Texas fields to South ern California consumers was in creased 150,000,000 cubic feet recent ly when three new compressors wer into operation at the Blythe compres sor station.

Seventy-three miles of 30-inc looped pipeline along the 215-mil stretch from the Colorado river to Lo Angeles were added last fall to tak care of the increased capacity.

Addition of the three Clark com pressors—each rated at 1760 horse power—steps up daily capacity of th Texas-California pipeline to 705,000 000 cubic feet.

Both the line and the Blythe sta tion are owned jointly by Southern California and Southern Counti Gas Companies.

The 150,000,000 cubic feet increas in capacity is almost equal to the line 175,000,000 cubic feet total daily de livery when first made operative i November, 1947, officials of the tw companies pointed out.

Investment in the new compresso and an auxiliary Ingersoll-Rand ga engine driven generator was mor than $1,500,000.

R-R Survey Shows Electric Typewriters Increase Work Output

IMPARTIAL surveys of electric ver sus manual typing conducted by th Connecticut State Budget Divisio and the United States Air Force Mil tary Air Transport Service have re vealed that the use of electric typ writers has increased work outpu for the Connecticut agency by 30.2 and resulted in what was six day output in five for the Military A Transport Service, according to Rem ington Rand Inc.

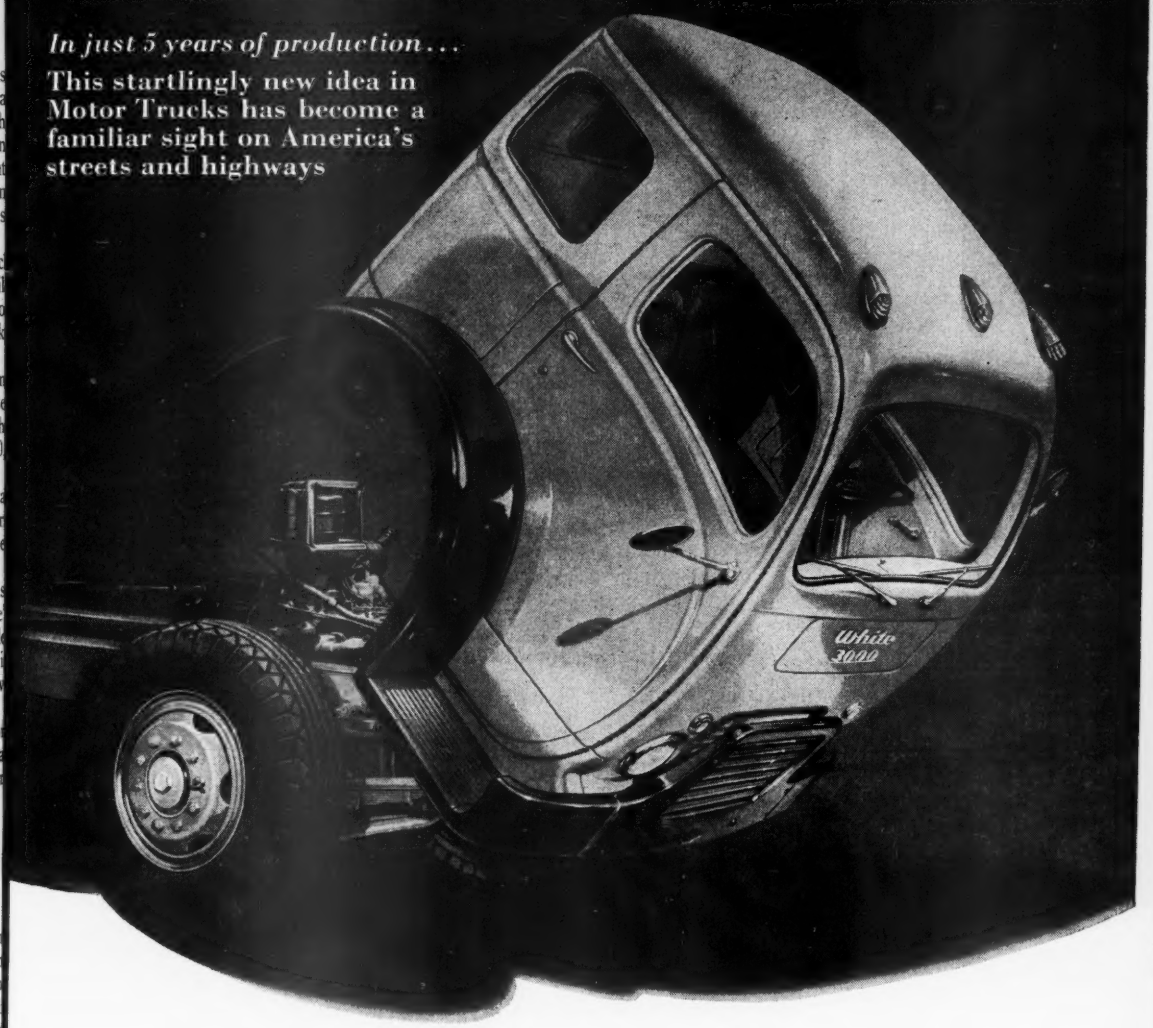
Detailed findings of the two typi studies, together with statistics an other pertinent data on electric ver sus manual typing are covered in new 6-page folder—RE 8678—avai able on request at the local Remin ton Rand Sales Office or by writi Remington Rand Inc., 315 Four Avenue, New York 10, New York.

Have you looked into

TOMORROW'S TRUCK TODAY?

In just 5 years of production...

This startlingly new idea in Motor Trucks has become a familiar sight on America's streets and highways



5 YEARS AGO The White Motor Company introduced an entirely new type of truck—completely functional—designed to reduce delivery cost because it could do more work per day or per mile. So new and different, other manufacturers thought the White 3000 of little consequence, at the time.

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Reprints of feature articles in recent issues of PUBLIC UTILITIES FORTNIGHTLY are listed here as a special service.

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by Harold Brayman, July 8, 1954

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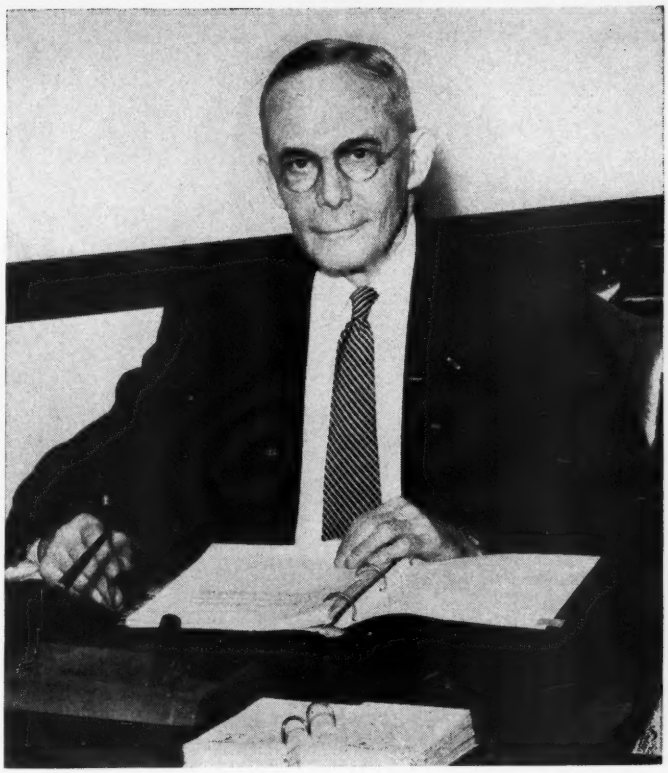
by Herbert Bratter, July 8 & 22, 1954

Electric Companies Have Eyes on the Future
by A. Bryan Marvin, July 22, 1954

Techniques for Obtaining Depreciation Replacement Costs
by C. F. Boake, August 5, 1954

Prices for the above, as well as for reprints of other articles, will be supplied promptly upon request. Write to: Reprint Department, Public Utilities Fortnightly, Munsey Building, Washington 4, D. C.

GOOD NEWS from the PHILADELPHIA ELECTRIC COMPANY



J. FRANK GASKILL, Sales Manager, Industrial & Retail Department, Philadelphia Electric Co., to whom the 1953 MPA (More Power to America) award was made in recognition of the outstanding work of his company in the advancement of industrial electrification.

The P. E. Company's program of activities judged the one which did the most to further industrial electrification in 1953 was basically this:

OBJECTIVE — Maximum electrification of industrial processes

METHOD — Carefully planned sales approach and systematic follow up action

RESULTS — Satisfied customers and steady load growth

Here's a short outline of the five-point program of operation, which will interest other companies because it increased industrial sales, and helped the company's net revenue:

A Sales and Service organization which exerted the maximum amount of sales pressure on the market.

Back up the Salesmen with a Service organization which will free them of as much office and other routine work as possible, and will develop the economics of existing applications and keep in touch with the development of new ones.

Stimulate the local Electrical Innustry to organize groups to direct and coordinate cooperative advertising, sales and educational programs and to maintain a working contact between natural allies.

Continuous training of salesmen in products, improved production methods, and salesmanship.

Maintain continuous market coverage by periodical and special mailings, meetings, demonstrations, educational courses and other presentations to customers on economical uses and other beneficial aspects of electricity and electrical equipment.

This advertisement is one of a series, showing how good industrial sales increase utilities' net.

ELECTRIFIED INDUSTRY and *Today's Business*

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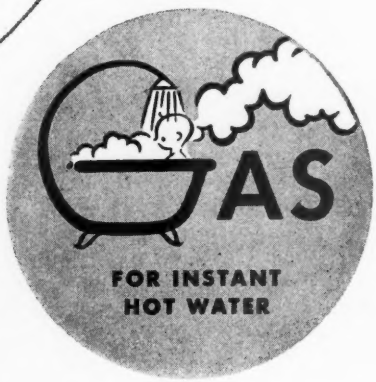
Columbia Gas System
delivers a modern miracle
24 Hours-A-Day!



CHARLESTON GROUP: United Fuel Gas Company, Atlantic Seaboard Corporation, Amere Gas Utilities Company, Virginia Gas Distribution Corporation, Big Marsh Oil Company, Central Kentucky Natural Gas Company; **COLUMBUS GROUP:** The Ohio Fuel Gas Company; **PITTSBURGH GROUP:** The Manufacturers Light and Heat Company, Binghamton Gas Works, Cumberland and Allegheny Gas Company, Home Gas Company, The Keystone Gas Company, Inc., Natural Gas Company of West Virginia; **OIL GROUP:** The Preston Oil Company.

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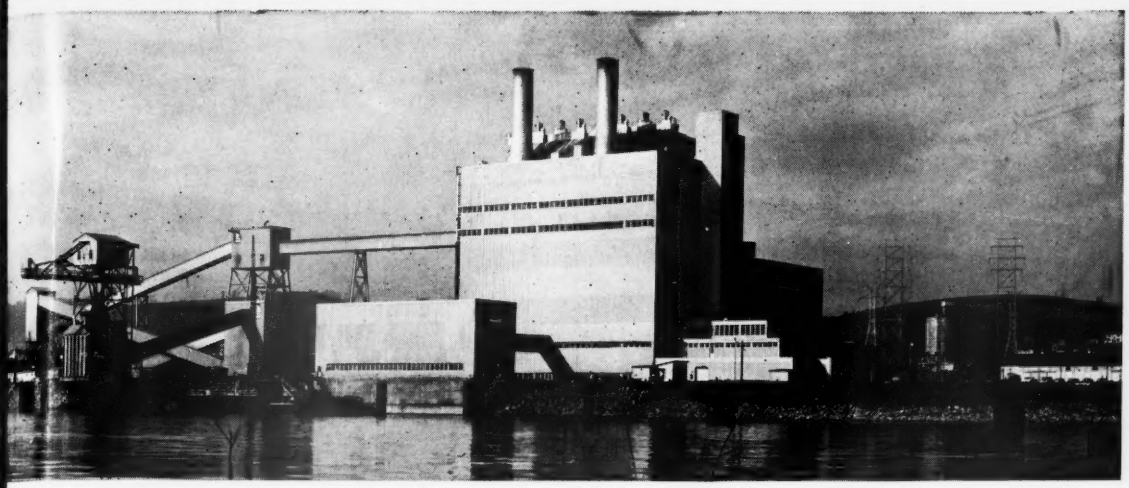

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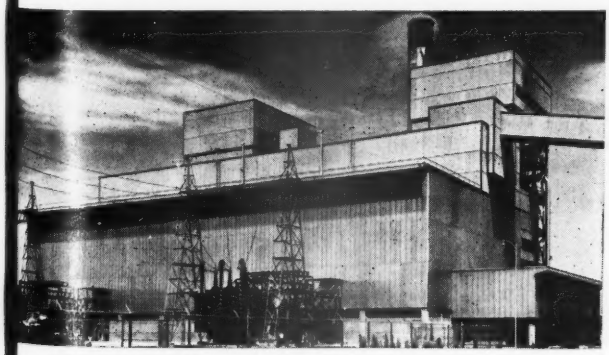

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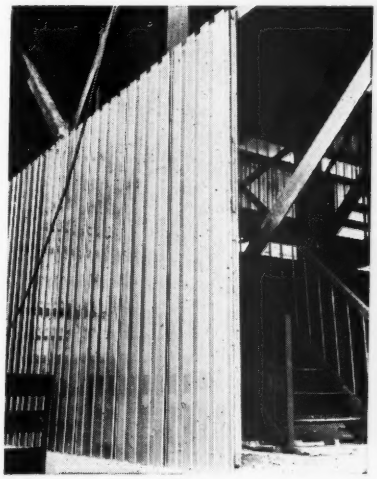

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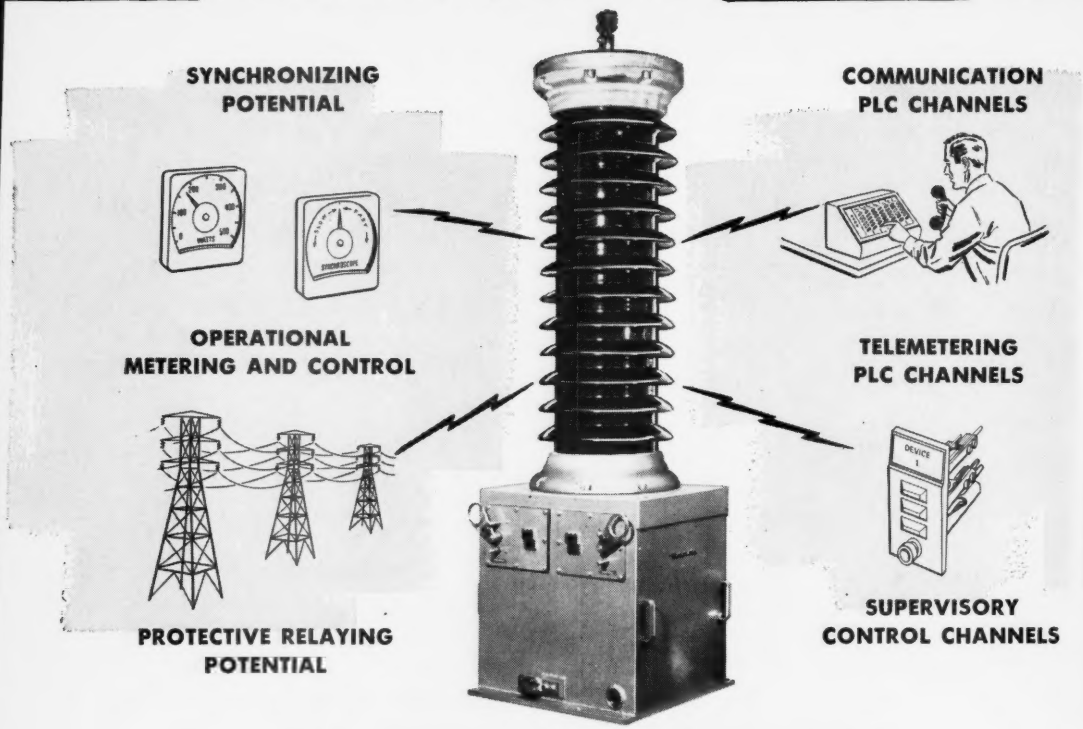

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